

Exhibit No. 1
Artesian Water Company, Inc.
Docket No. _____

BEFORE THE
DELAWARE PUBLIC SERVICE COMMISSION

DIRECT TESTIMONY

OF

PAULINE M. AHERN, CRRA
PRINCIPAL
AUS CONSULTANTS

ON BEHALF OF

ARTESIAN WATER COMPANY, INC.

APRIL 11, 2014

Artesian Water Company, Inc.
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to the Financial Supporting Exhibit
of Pauline M. Ahern, CRRA

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Artesian Water Company
Summary of Cost of Capital and Fair Rate of Return
Based upon the Estimated Capital Structure at September 30, 2014

<u>Type of Capital</u>	<u>Ratios (1)</u>	<u>Cost Rate</u>	<u>Weighted Cost Rate</u>
Long-Term Debt	49.46%	5.84% (2)	2.89%
Common Equity	<u>50.54%</u>	10.90% (3)	<u>5.51%</u>
Total	<u>100.00%</u>		<u>8.40%</u>

Notes:

- (1) From Schedule PMA-4.
- (2) From Schedule PMA-5.
- (3) Based upon informed judgment from the entire study, the principal results of which are summarized on page 2.

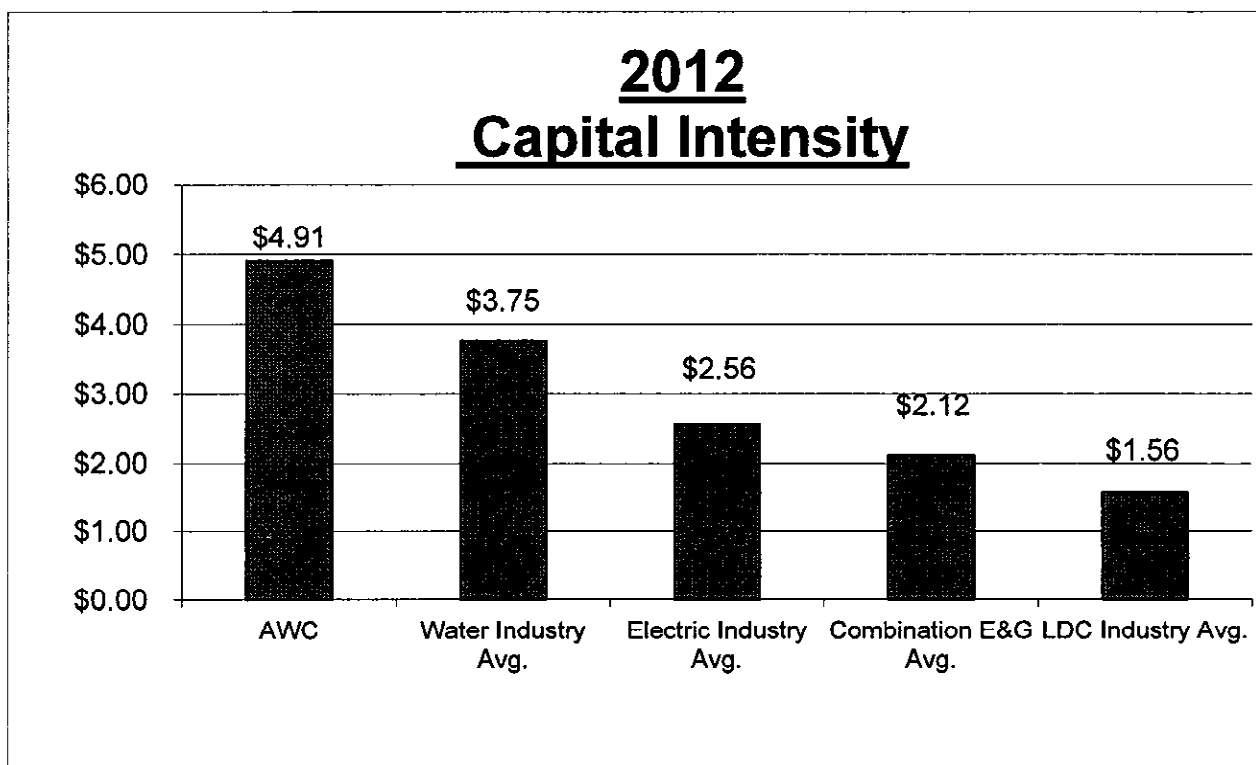
Artesian Water Company
Brief Summary of Common Equity Cost Rate

<u>No.</u>	<u>Principal Methods</u>	<u>Proxy Group of Nine Water Companies</u>
1.	Discounted Cash Flow Model (DCF) (1)	8.58 %
2.	Risk Premium Model (RPM) (2)	11.26
3.	Capital Asset Pricing Model (CAPM) (3)	9.92
4.	Market Models Applied to Comparable Risk, Non-Price Regulated Companies (4)	<u>10.98</u>
5.	Indicated Common Equity Cost Rate before Adjustment for Business Risks	10.45 %
6.	Flotation Cost Adjustment (5)	0.20
7.	Business Risk Adjustment (6)	<u>0.25</u>
8.	Recommended Common Equity Cost Rate	<u><u>10.90</u></u> %

Notes: (1) From page 1 of Schedule PMA-6.
 (2) From page 1 of Schedule PMA-8.
 (3) From page 1 of Schedule PMA-9.
 (4) From page 1 of Schedule PMA-10.
 (5) From Schedule PMA-11.
 (6) Business risk adjustment to reflect AWC's greater business risk due to its small size relative to the proxy group as detailed in Ms. Ahern's accompanying direct testimony.

Artesian Water Company
2012 Capital Intensity of Artesian Water Company and
AUS Utility Reports Utility Companies Industry Averages

	Average Net Plant (\$ mill)	Average Operating Revenue (\$ mill)	Capital Intensity (\$)	Capital Intensity AWC v. Other Industries (times)
Artesian Water Company	\$ 312.86	\$ 63.66	\$ 4.91	--
Water Industry Average	\$ 2,176.28	\$ 581.03	\$ 3.75	130.93%
Electric Industry Average	\$ 15,387.49	\$ 6,000.19	\$ 2.56	191.80%
Combination Elec. & Gas Industry Average	\$ 13,488.39	\$ 6,365.63	\$ 2.12	231.60%
Gas Distribution Average	\$ 3,348.51	\$ 2,149.69	\$ 1.56	314.74%



Notes:

Capital Intensity is equal to Net Plant divided by Total Operating Revenue.

Source of Information:

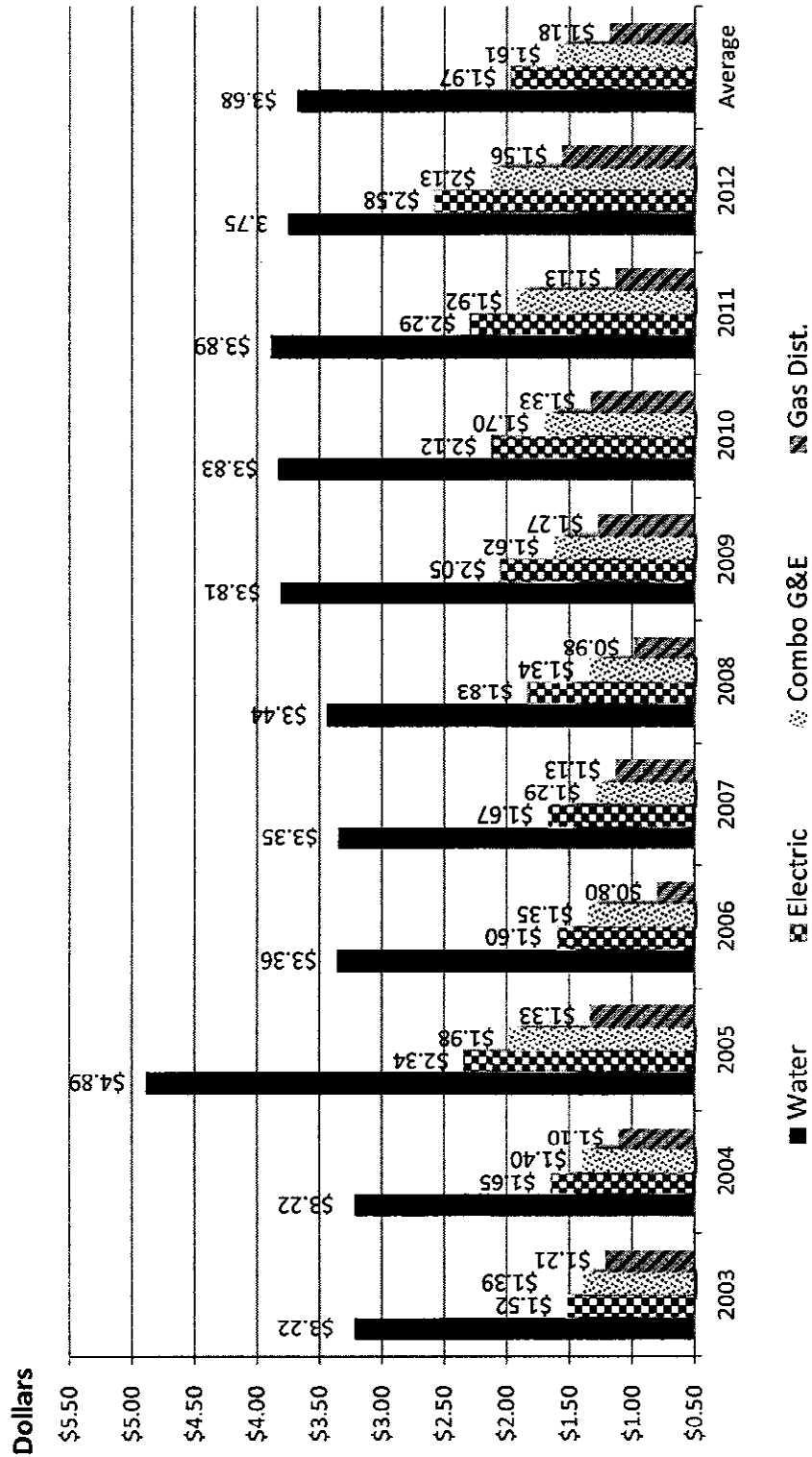
EDGAR Online's I-Metrix Database
Company Annual Forms 10-K

AUS Utility Reports - May 2013

Published By AUS Consultants

Company Provided Information

Capital Intensity of the AUS Utility Reports Companies 2003 - 2012

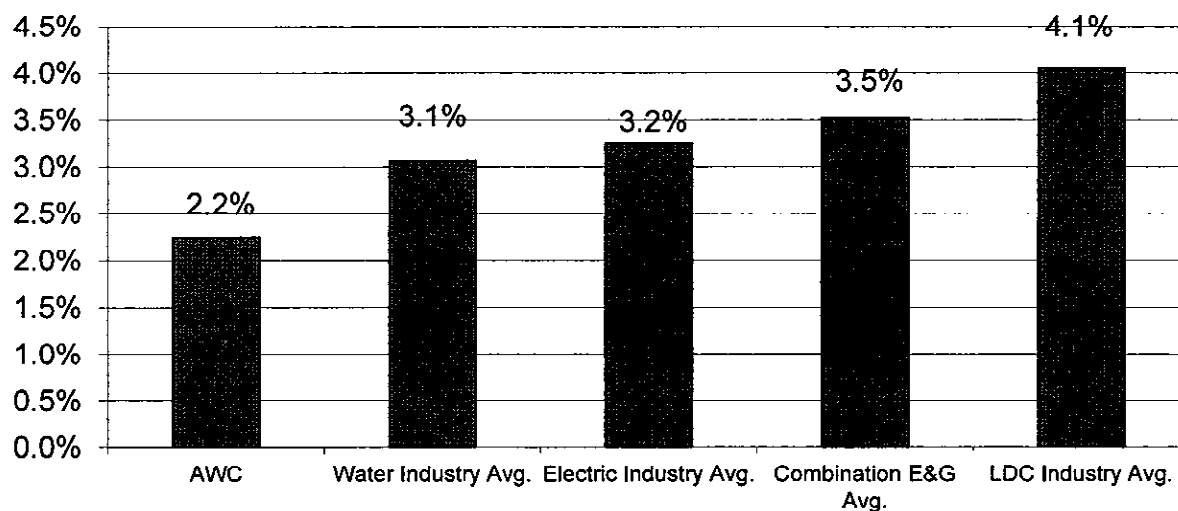


Source of Information: SEC Edgar I-Metrix Online Database

Artesian Water Company
2012 Depreciation Rate of Artesian Water Company and
AUS Utility Reports Utility Companies Industry Averages

	Depreciation & Amort. Expense (\$ mill)	Average Total Gross Plant Less CWIP (\$ mill)	Depreciation Rate (%)	Depreciation Rate AWC v. Other Industries (times)
Artesian Water Company	\$ 7.36	\$ 327.62	2.2%	--
Water Industry Average	\$ 73.48	\$ 2,397.71	3.1%	70.97%
Electric Industry Average	\$ 642.42	\$ 19,834.47	3.2%	68.75%
Combination Elec. & Gas Industry Average	\$ 659.14	\$ 18,702.81	3.5%	62.86%
LDC Gas Distribution Industry Average	\$ 175.22	\$ 4,318.74	4.1%	53.66%

2012 Effective Depreciation Rate



Notes:

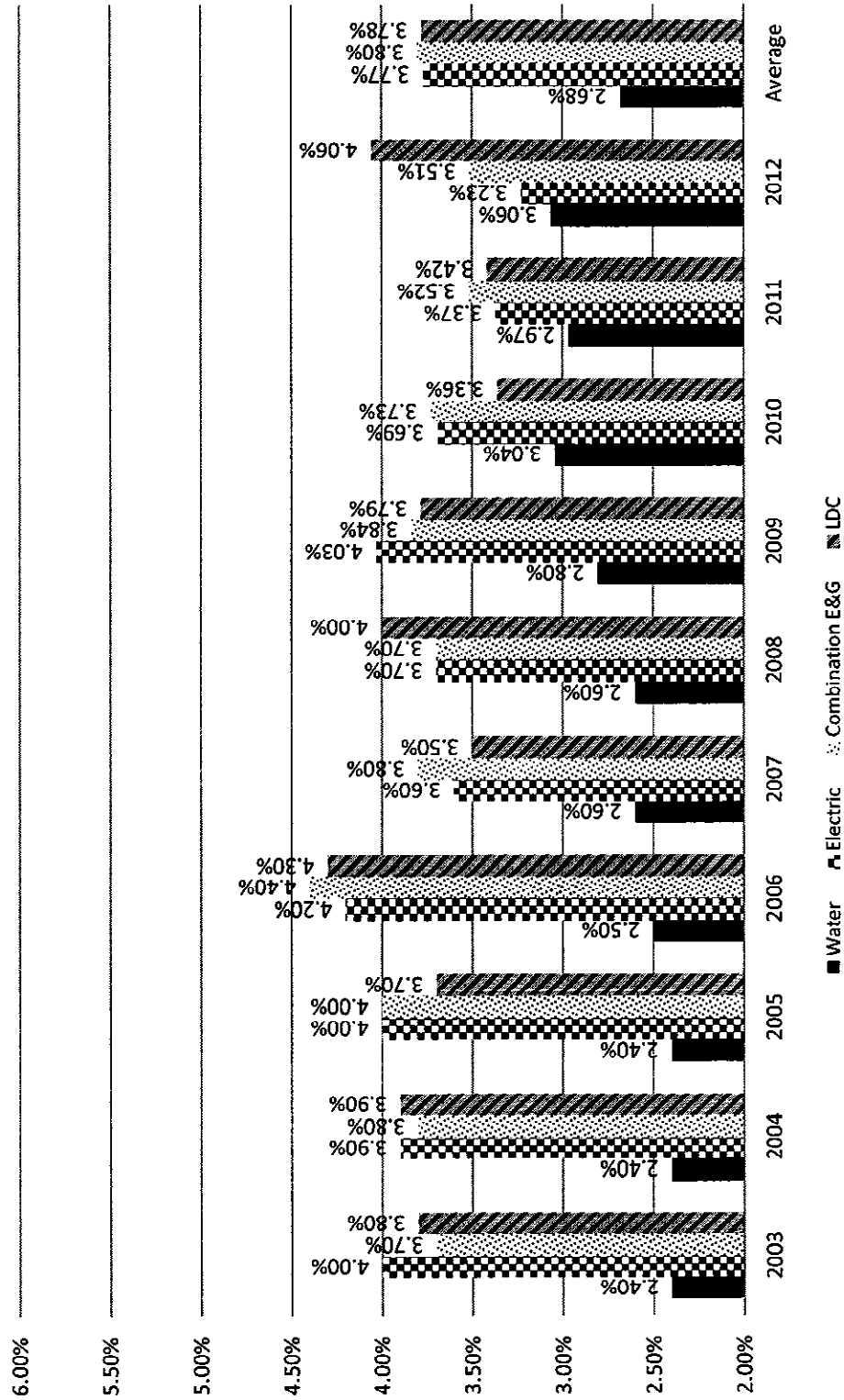
Effective Depreciation Rate is equal to Depreciation, Depletion and Amortization Expense divided by average beginning and ending year's Gross Plant minus Construction Work in Progress.

Source of Information:
EDGAR Online's I-Metrix Database
Company Annual Forms 10-K

AUS Utility Report - May 2013
Published by AUS Consultants

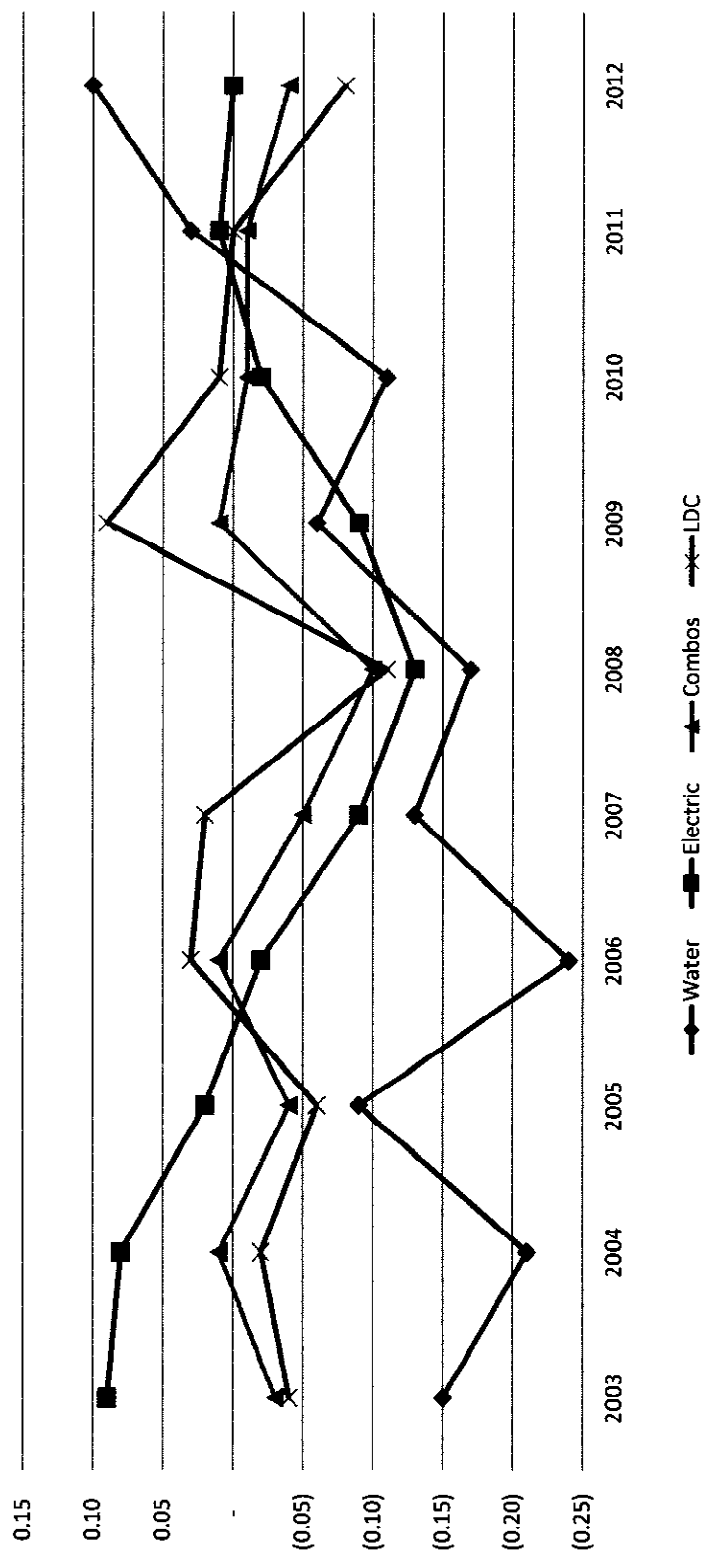
Company Provided Information

Depreciation Rates for the AUS Utility Reports Companies 2003-2012



Source of Information: SEC Edgar I-Metrix Online

Free Cash Flow / Operating Revenues for the AUS Utility Reports Companies 2003-2012



Artesian Water Company
CAPITALIZATION AND FINANCIAL STATISTICS (1)
2008 - 2012, Inclusive

	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	
	(MILLIONS OF DOLLARS)					
<u>CAPITALIZATION STATISTICS</u>						
<u>AMOUNT OF CAPITAL EMPLOYED</u>						
TOTAL PERMANENT CAPITAL	\$ 210.743	\$ 208.576	\$ 189.974	\$ 188.608	\$ 187.523	
SHORT-TERM DEBT	-	-	5.588	7.434	2.344	
TOTAL-CAPITAL EMPLOYED	<u>\$ 210.743</u>	<u>\$ 208.576</u>	<u>\$ 195.562</u>	<u>\$ 196.042</u>	<u>\$ 189.867</u>	
<u>INDICATED AVERAGE CAPITAL COST RATES (2)</u>						
TOTAL DEBT	6.31 %	6.38 %	6.27 %	6.31 %	6.30 %	
<u>CAPITAL STRUCTURE RATIOS</u>						
BASED ON TOTAL PERMANENT CAPITAL:						5 YEAR AVERAGE
LONG-TERM DEBT	50.95 %	51.62 %	55.51 %	56.10 %	56.93 %	54.22 %
PREFERRED STOCK	-	-	-	-	-	-
COMMON EQUITY	<u>49.05</u>	<u>48.38</u>	<u>44.49</u>	<u>43.90</u>	<u>43.07</u>	<u>45.78</u>
TOTAL	<u>100.00 %</u>	<u>100.00 %</u>	<u>100.00 %</u>	<u>100.00 %</u>	<u>100.00 %</u>	<u>100.00 %</u>
BASED ON TOTAL CAPITAL:						
TOTAL DEBT, INCLUDING SHORT-TERM	50.95 %	51.62 %	56.78 %	57.77 %	57.46 %	54.92 %
PREFERRED STOCK	-	-	-	-	-	-
COMMON EQUITY	<u>49.05</u>	<u>48.38</u>	<u>43.22</u>	<u>42.23</u>	<u>42.54</u>	<u>45.08</u>
TOTAL	<u>100.00 %</u>	<u>100.00 %</u>	<u>100.00 %</u>	<u>100.00 %</u>	<u>100.00 %</u>	<u>100.00 %</u>
<u>DIVIDEND PAYOUT RATIO</u>	73.45 %	89.43 %	76.05 %	84.58 %	84.87 %	81.68 %
<u>RATE OF RETURN ON AVERAGE COMMON EQUITY</u>	9.13 %	7.44 %	8.66 %	8.50 %	7.62 %	8.27 %
<u>TOTAL DEBT / EBITDA (3)</u>	3.62 x	4.24 x	4.32 x	4.57 x	4.93 x	4.34 x
TOTAL DEBT / TOTAL CAPITAL	50.95 %	51.62 %	56.78 %	57.77 %	57.46 %	54.92 %

Notes:

- (1) All capitalization and financial statistics for the group are the arithmetic average of the achieved results for each individual company in the group, and are based upon financial statements as originally reported in each year.
- (2) Computed by relating actual total debt interest or preferred stock dividends booked to average of beginning and ending total debt or preferred stock reported to be outstanding.
- (3) Total debt as a percentage of EBITDA (Earnings before Interest, Income Taxes, Depreciation and Amortization)

Source of Information: Artesian Water Company's Annual Reports to the Delaware Public Service Commission

Proxy Group of Nine Water Companies
CAPITALIZATION AND FINANCIAL STATISTICS (1)
2008 - 2012, Inclusive

	2012	2011	2010	2009	2008	
	(MILLIONS OF DOLLARS)					
<u>CAPITALIZATION STATISTICS</u>						
<u>AMOUNT OF CAPITAL EMPLOYED</u>						
TOTAL PERMANENT CAPITAL	\$1,801,379	\$1,736,912	\$1,712,951	\$1,641,561	\$1,537,371	
SHORT-TERM DEBT	<u>\$55,136</u>	<u>\$81,076</u>	<u>\$53,463</u>	<u>\$31,243</u>	<u>\$84,104</u>	
TOTAL CAPITAL EMPLOYED	<u>\$1,856,515</u>	<u>\$1,817,988</u>	<u>\$1,766,414</u>	<u>\$1,672,804</u>	<u>\$1,621,475</u>	
<u>INDICATED AVERAGE CAPITAL COST RATES (2)</u>						
TOTAL DEBT	5.41 %	5.36 %	5.37 %	5.31 %	5.58 %	
PREFERRED STOCK	5.53	5.53	5.54	5.54	5.75	
						<u>5 YEAR</u>
<u>CAPITAL STRUCTURE RATIOS</u>						<u>AVERAGE</u>
BASED ON TOTAL PERMANENT CAPITAL:						
LONG-TERM DEBT	49.12 %	50.69 %	50.97 %	50.80 %	50.35 %	50.39 %
PREFERRED STOCK	0.16	0.18	0.19	0.21	0.22	0.19
COMMON EQUITY	<u>50.72</u>	<u>49.13</u>	<u>48.84</u>	<u>48.99</u>	<u>49.43</u>	<u>49.42</u>
TOTAL	<u>100.00</u> %	<u>100.00</u> %	<u>100.00</u> %	<u>100.00</u> %	<u>100.00</u> %	<u>100.00</u> %
BASED ON TOTAL CAPITAL:						
TOTAL DEBT, INCLUDING SHORT-TERM	50.79 %	52.55 %	53.49 %	53.33 %	53.43 %	52.72 %
PREFERRED STOCK	0.15	0.17	0.18	0.19	0.21	0.18
COMMON EQUITY	<u>49.06</u>	<u>47.28</u>	<u>46.33</u>	<u>46.48</u>	<u>46.36</u>	<u>47.10</u>
TOTAL	<u>100.00</u> %	<u>100.00</u> %	<u>100.00</u> %	<u>100.00</u> %	<u>100.00</u> %	<u>100.00</u> %
<u>FINANCIAL STATISTICS</u>						
<u>FINANCIAL RATIOS - MARKET BASED</u>						
EARNINGS / PRICE RATIO	5.75 %	5.56 %	5.85 %	4.10 %	2.53 %	4.76 %
MARKET / AVERAGE BOOK RATIO	173.44	162.35	156.81	145.24	163.63	160.29
DIVIDEND YIELD	3.50	3.76	3.96	4.40	4.20	3.96
DIVIDEND PAYOUT RATIO	61.46	67.87	66.67	60.06	64.23	64.06
<u>RATE OF RETURN ON AVERAGE BOOK COMMON EQUITY</u>						
	9.94 %	8.99 %	8.98 %	6.99 %	6.39 %	8.26 %
<u>TOTAL DEBT / EBITDA (3)</u>						
	3.84 X	4.34 X	4.75 X	5.53 X	9.07 X	5.51 X
<u>FUNDS FROM OPERATIONS / TOTAL DEBT (4)</u>						
	20.65 %	18.82 %	17.10 %	16.41 %	16.14 %	17.82 %
<u>TOTAL DEBT / TOTAL CAPITAL</u>						
	50.79 %	52.55 %	53.49 %	53.33 %	53.43 %	52.72 %

Notes:

- (1) All capitalization and financial statistics for the group are the arithmetic average of the achieved results for each individual company in the group, and are based upon financial statements as originally reported in each year.
- (2) Computed by relating actual total debt interest or preferred stock dividends booked to average of beginning and ending total debt or preferred stock reported to be outstanding.
- (3) Total debt relative to EBITDA (Earnings before Interest, Income Taxes, Depreciation and Amortization).
- (4) Funds from operations (sum of net income, depreciation, amortization, net deferred income tax and investment tax credits, less total AFUDC) plus interest charges as a percentage of total debt.

Source of Information: I-Matrix Database
Company SEC Form 10-K

Capital Structure Based upon Total Permanent Capital for the
Proxy Group of Nine Water Companies
2008 - 2012, Inclusive

	2012	2011	2010	2009	2008	5 YEAR AVERAGE
<u>American States Water Co.</u>						
Long-Term Debt	42.49 %	45.48 %	44.30 %	48.95 %	46.25 %	45.09 %
Preferred Stock	0.00	0.00	0.00	0.00	0.00	0.00
Common Equity	57.51	54.54	55.70	53.05	53.75	54.91
Total Capital	100.00 %	100.00 %	100.00 %	100.00 %	100.00 %	100.00 %
<u>American Water Works Co., Inc.</u>						
Long-Term Debt	54.30 %	55.72 %	56.73 %	56.98 %	53.75 %	55.49 %
Preferred Stock	0.21	0.27	0.29	0.30	0.32	0.28
Common Equity	45.49	44.01	42.98	42.72	45.93	44.23
Total Capital	100.00 %	100.00 %	100.00 %	100.00 %	100.00 %	100.00 %
<u>Aqua America, Inc.</u>						
Long-Term Debt	53.41 %	54.11 %	57.05 %	56.59 %	54.21 %	55.08 %
Preferred Stock	0.01	0.02	0.02	0.02	0.09	0.03
Common Equity	46.58	45.87	42.93	43.39	45.70	44.89
Total Capital	100.00 %	100.00 %	100.00 %	100.00 %	100.00 %	100.00 %
<u>Artesian Resources Corp.</u>						
Long-Term Debt	47.60 %	48.93 %	52.84 %	54.12 %	59.57 %	52.61 %
Preferred Stock	0.00	0.00	0.00	0.00	0.00	0.00
Common Equity	52.40	51.07	47.16	45.88	40.43	47.39
Total Capital	100.00 %	100.00 %	100.00 %	100.00 %	100.00 %	100.00 %
<u>California Water Service Group</u>						
Long-Term Debt	50.39 %	52.04 %	52.51 %	47.93 %	41.88 %	48.95 %
Preferred Stock	0.00	0.00	0.00	0.00	0.00	0.00
Common Equity	49.61	47.96	47.49	52.07	58.12	51.05
Total Capital	100.00 %	100.00 %	100.00 %	100.00 %	100.00 %	100.00 %
<u>Connecticut Water Service, Inc.</u>						
Long-Term Debt	49.03 %	53.05 %	49.32 %	50.59 %	46.94 %	49.79 %
Preferred Stock	0.21	0.30	0.34	0.35	0.39	0.32
Common Equity	50.76	46.65	50.34	49.06	52.67	49.89
Total Capital	100.00 %	100.00 %	100.00 %	100.00 %	100.00 %	100.00 %
<u>Middlesex Water Company</u>						
Long-Term Debt	43.53 %	43.12 %	43.91 %	47.35 %	49.10 %	45.40 %
Preferred Stock	1.02	1.06	1.07	1.24	1.22	1.12
Common Equity	55.45	55.82	55.02	51.41	49.68	53.48
Total Capital	100.00 %	100.00 %	100.00 %	100.00 %	100.00 %	100.00 %
<u>SNW Corporation</u>						
Long-Term Debt	55.39 %	58.63 %	53.79 %	49.52 %	48.08 %	52.28 %
Preferred Stock	0.00	0.00	0.00	0.00	0.00	0.00
Common Equity	44.61	43.37	46.21	50.48	53.92	47.72
Total Capital	100.00 %	100.00 %	100.00 %	100.00 %	100.00 %	100.00 %
<u>York Water Company</u>						
Long-Term Debt	45.98 %	47.16 %	48.28 %	47.16 %	55.31 %	48.78 %
Preferred Stock	0.00	0.00	0.00	0.00	0.00	0.00
Common Equity	54.02	52.84	51.72	52.84	44.69	51.22
Total Capital	100.00 %	100.00 %	100.00 %	100.00 %	100.00 %	100.00 %
<u>Proxy Group of Nine Water Companies</u>						
Long-Term Debt	49.12 %	50.69 %	50.97 %	50.80 %	50.35 %	50.39 %
Preferred Stock	0.16	0.18	0.19	0.21	0.22	0.19
Common Equity	50.72	49.13	48.84	48.99	49.43	49.42
Total Capital	100.00 %	100.00 %	100.00 %	100.00 %	100.00 %	100.00 %

Source of Information
EDGAR Online's I-Matrix Database
Annual Forms 10-K

Artesian Water Company
Projected Yest Year Capital Structure

<u>Line No.</u>	<u>Type of Capital</u>	<u>Test Year Balance</u>	<u>Ratio</u>
1	First Mortgage Bonds	\$103,870,493	49.46%
2	Common Equity:		
3	Common Stock	79,258,479	
4	Retained Earnings	<u>26,888,794</u>	
5	Total Equity	106,147,273	50.54%
6	Total Capitalization	<u>\$210,017,766</u>	

Source of Information: Schedule DLV-4B.

Artesian Water Company
Calculation of the Effective Cost of Long-Term Debt

Line No.	Series	Issuance	Maturity	Years	Rate	Rebate	Adjusted Int Rate	Principal Amount	Issuance Costs	Net Proceeds	Proceeds Ratio	Effective Rate
1	O	1/1/2001	1/1/2021	20	8.17%		8.17%	20,000,000	497,375	19,502,625	97.51%	8.38%
2	P	9/1/2002	9/1/2022	20	6.58%	242,024	5.61%	25,000,000	127,546	24,872,454	99.49%	5.64%
3	Q	12/5/2003	12/14/2043	40	4.75%		4.75%	15,400,000 (1)	867,718	14,532,282	94.37%	5.03%
4	R	8/1/2005	12/31/2028	23	5.96%	242,024	4.99%	25,000,000	1,134,246	23,865,754	95.46%	5.23%
5	S	12/1/2008	12/31/2033	25	6.73%	145,215	5.76%	15,000,000	111,928	14,888,071	99.25%	5.81%
6	SRF	1/1/2001	1/1/2021	20	4.48%		4.48%	4,307,144	10,248	4,296,896	99.76%	4.49%
7	SRF	8/1/2003	7/31/2023	20	3.57%		3.57%	1,374,372 (2)	46,665	1,327,707	96.60%	3.70%
8	SRF	11/7/2003	11/1/2025	20	3.64%		3.64%	2,184,700 (3)	83,740	2,100,960	96.17%	3.79%
9	SRF	2/2/2011	2/1/2031	20	3.41%		3.41%	2,993,211	62,385	2,930,826	97.92%	3.48%
10	SRF	7/15/2011	7/1/2032	20	3.40%		3.40%	2,536,589 (4)	43,993	2,492,596	98.27%	3.46%

Notes:

- (1) Beginning 1/1/2014 the Q Bond has an insurance premium of \$26,950 (\$840,768 + \$26,950 = \$867,718)
- (2) The 3.57% loan had an original filing amount of \$2,900,285. Actual proceeds are identified above.
- (3) The 3.64% loan had an original filing amount of \$5,456,495. Actual proceeds are identified above.
- (4) The 3.40% loan had an original filing amount of \$3,606,720. The balance shown represents the est proceeds to be received.

Source of Information: Schedule DLV-4C

Artesian Water Company
Calculation of the Embedded Cost of Debt

Line No.	Series	Date of Maturity	Interest Rate	Outstanding Balance	Percent to Total	Effective Rate	Weighted Cost
1	O	1/1/2021	8.17%	20,000,000	19.25%	8.38%	1.61%
2	P	9/1/2022	6.58%	25,000,000	24.07%	5.64%	1.36%
3	Q	12/14/2043	4.75%	15,400,000	14.83%	5.03%	0.75%
4	R	12/31/2028	5.96%	25,000,000	24.07%	5.23%	1.26%
5	S	12/31/2033	6.73%	10,350,000	9.96%	5.81%	0.58%
6	SRF	1/1/2021	4.48%	1,467,202	1.41%	4.49%	0.06%
7	SRF	7/31/2023	3.57%	642,847	0.62%	3.70%	0.02%
8	SRF	1/1/2025	3.64%	1,202,970	1.16%	3.79%	0.04%
9	SRF	2/1/2031	3.41%	2,451,591	2.36%	3.48%	0.08%
10	SRF	7/1/2032	3.40%	2,355,882	2.27%	3.46%	0.08%
				<u>103,870,492</u>			<u>5.84%</u>

Source of Information: Company Provided

Artesian Water Company
Indicated Common Equity Cost Rate Using the Discounted Cash Flow Model for
the Proxy Group of Nine Water Companies

	1	2	3	4	5	6	7	8
	Average Dividend Yield (1)	Value Line Projected Five Year Growth in EPS (2)	Reuters Mean Consensus Projected Five Year Growth Rate in EPS	Zack's Five Year Projected Growth Rate in EPS	Yahoo! Finance Projected Five Year Growth in EPS	Average Projected Five Year Growth in EPS (3)	Adjusted Dividend Yield (4)	Indicated Common Equity Cost Rate (5)
<u>Proxy Group of Nine Water Companies</u>								
American States Water Co.	2.90 %	7.00 %	1.00 %	1.00 %	1.00 %	2.50 %	2.94 %	5.44 %
American Water Works Co., Inc.	2.67	8.50	8.90	7.20	6.85	7.86	2.77	10.63
Aqua America, Inc.	2.58	10.00	7.40	5.90	5.80	7.28	2.67	9.95
Artesian Resources Corp.	3.76	NA	NA	NA	4.00	4.00	3.84	7.84
California Water Service Group	2.89	7.00	6.00	6.00	6.00	6.25	2.98	9.23
Connecticut Water Service, Inc.	2.93	6.50	NA	5.00	5.00	5.50	3.01	8.51
Middlesex Water Company	3.75	4.00	NA	NA	2.70	3.35	3.81	7.16
SJW Corporation	2.62	7.50	NA	NA	14.00	10.75	2.76	13.51
York Water Company	2.80	6.50	NA	NA	4.90	5.70	2.88	8.58
Average								8.98 %
Median								8.58 %

NA= Not Available
NMF = Not Meaningful Figure

Notes:

- (1) Indicated dividend at 03/03/2014 divided by the average closing price of the last 60 trading days ending 03/03/2014 for each company.
- (2) From pages 3 through 11 of this Schedule.
- (3) Average of columns 2 through 5 excluding negative growth rates.
- (4) This reflects a growth rate component equal to one-half the conclusion of growth rate (from column 6) x column 1 to reflect the periodic payment of dividends (Gordon Model) as opposed to the continuous payment. Thus, for American States Water Co., $2.90\% \times (1 + (1/2 \times 2.50\%)) = 2.94\%$.
- (5) Column 6 + column 7.

Source of Information:

Value Line Investment Survey
www.reuters.com Downloaded on 03/04/2014
www.zacks.com Downloaded on 03/04/2014
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Artesian Water Company
Hypothetical Example of the Inadequacy of
A DCF Return Rate Related to Book Value
When Market Value is Greater / Less than Book Value

<u>Line No.</u>		<u>Based on the Proxy Group of Nine Water Companies</u>	
		<u>Column A</u>	<u>Column B</u>
		<u>Market Value</u>	<u>Book Value</u>
1.	Per Share	\$ 27.34 (1)	\$ 13.57 (2)
2.	DCF Cost Rate (3)	8.98%	8.98%
3.	Return in Dollars (4)	\$ 2.455	\$ 1.219
4.	Dividends (5)	\$ 0.839	\$ 0.839
5.	Growth in Dollars (6)	\$ 1.616	\$ 0.380
6.	Return on Market Value (7)	8.98%	4.46%
7.	Rate of Growth on Market Value (8)	5.91%	1.39%

Notes:

- (1) Average price of the proxy group of nine water companies as shown on page 2 of Schedule PMA-12.
- (2) Average book value of the proxy group of nine water companies as shown on page 2 of Schedule PMA-12.
- (3) Average DCF cost rate from page 1 of this Schedule.
- (4) Line 1 x Line 2.
- (5) Dividends are based on a 3.07% adjusted dividend yield which is the average adjusted dividend yield of the proxy group of nine water companies.
- (6) Line 3 - Line 4.
- (7) Line 3 / Line 1.
- (8) Line 7 / Line 1.

AMER. STATES WATER NYSE:AWR				RECENT PRICE	28.15	P/E RATIO	18.5	(Trailing: 17.9 Median: 22.0)	RELATIVE P/E RATIO	0.99	DIV'D YLD	3.1%	VALUE LINE		
TIMELINESS 3 Lowered 8/16/13				SAFETY 2 Raised 7/20/12				TECHNICAL 1 Raised 1/10/14				BETA .65 (1.00 = Market)			
2016-18 PROJECTIONS				Price Gain Return				High 40 (+40%) 12%				Low 30 (+5%) 5%			
Insider Decisions				F M A M J J A S O				to Buy 0 0 0 2 1 0 0 1 0				to Sell 0 0 1 4 4 0 0 0 0			
Institutional Decisions				1Q2013 2Q2013 3Q2013				to Buy 93 96 72				to Sell 59 70 90			
Percent shares traded				12 8 4											
1997 1998 1999 2000 2001 2002 2003 2004 2005 2006 2007 2008 2009 2010 2011 2012 2013 2014				VALUE LINE PUB. LLC 16-18											
5.72 5.51 6.45 6.08 6.53 6.89 6.99 6.81 7.03 7.88 8.75 9.21 9.74 10.71 11.12 12.12 12.20 12.50				Revenues per sh				13.50							
.92 1.02 1.13 1.10 1.26 1.27 1.04 1.11 1.32 1.45 1.65 1.69 1.70 2.11 2.13 2.48 2.50 2.65				"Cash Flow" per sh				2.95							
.52 .54 .60 .64 .67 .67 .39 .53 .66 .67 .81 .78 .81 1.11 1.12 1.41 1.53 1.60				Earnings per sh				1.80							
.42 .42 .43 .43 .43 .44 .44 .44 .45 .46 .48 .50 .51 .52 .55 .64 .76 .84				Div'd Decl'd per sh				1.00							
1.29 1.56 2.15 1.51 1.59 1.34 1.88 2.51 2.12 1.95 1.45 2.23 2.09 2.12 2.13 1.77 2.30 2.25				Cap'l Spending per sh				2.50							
5.62 5.74 5.91 6.37 6.61 7.02 6.98 7.51 7.86 8.32 8.77 8.97 9.70 10.13 10.84 11.80 12.55 13.25				Book Value per sh				16.25							
26.87 26.87 26.87 30.24 30.24 30.36 30.42 33.50 33.60 34.10 34.46 34.60 37.06 37.26 37.70 38.53 39.00 40.00				Common Shs Outst'g				43.00							
14.5 15.5 17.1 15.9 16.7 18.3 31.9 23.2 21.9 27.7 24.0 22.6 21.2 15.7 15.4 14.3 18.4				Avg Ann'l P/E Ratio				19.5							
.84 .81 .97 1.03 .86 1.00 1.82 1.23 1.17 1.50 1.27 1.36 1.41 1.00 .97 .91 1.03				Relative P/E Ratio				1.30							
5.5% 5.0% 4.2% 4.2% 3.9% 3.6% 3.5% 3.6% 3.1% 2.5% 2.5% 2.9% 2.9% 3.0% 3.2% 3.1% 2.7%				Avg Ann'l Div'd Yield				3.1%							
CAPITAL STRUCTURE as of 9/30/13				212.7 228.0 236.2 268.6 301.4 318.7 381.0 398.9 419.3 466.9 475 500				Revenues (\$mill)				580			
Total Debt \$335.5 mill. Due in 5 Yrs \$10.6 mill.				11.9 18.5 22.5 23.1 28.0 26.8 29.5 41.4 42.0 54.1 58.0 63.0				Net Profit (\$mill)				77.0			
LT Debt \$332.1 mill. LT Interest \$16.0 mill.				43.5% 37.4% 47.0% 40.5% 42.6% 37.6% 38.9% 43.2% 41.7% 39.9% 38.0% 40.0%				Income Tax Rate				40.0%			
(LT interest earned: 5.2x: total interest coverage: 4.9x) (41% of Cap'l)				52.0% 47.7% 50.4% 48.6% 46.9% 46.2% 45.9% 44.3% 45.4% 42.2% 40.5% 40.0%				AFUDC % to Net Profit				2.5%			
Leases, Uncapitalized: Annual rentals \$3.0 mill.				48.0% 52.3% 49.6% 51.4% 53.1% 53.8% 54.1% 55.7% 54.6% 57.8% 59.5% 60.0%				Long-Term Debt Ratio				41.0%			
Pension Assets-12/12 \$107.6 mill. Oblig. \$163.2 mill.				442.3 480.4 532.5 551.6 569.4 577.0 665.0 677.4 749.1 787.0 825 880				Total Capital (\$mill)				1200			
Pfd Stock None.				602.3 664.2 713.2 750.6 776.4 825.3 866.4 855.0 896.5 917.8 975 1000				Net Plant (\$mill)				1100			
Common Stock 36,717,549 shs. as of 11/1/13				4.6% 5.2% 5.4% 6.0% 6.7% 6.4% 5.9% 7.6% 7.1% 8.3% 8.0% 8.0%				Return on Total Cap'l				7.5%			
MARKET CAP: \$1.1 billion (Mid Cap)				5.6% 6.6% 8.5% 8.1% 9.3% 8.6% 8.2% 11.0% 10.3% 11.9% 12.0% 12.5%				Return on Shr. Equity				11.5%			
CURRENT POSITION (SMILL)				5.6% 6.6% 8.5% 8.1% 9.3% 8.6% 8.2% 11.0% 10.3% 11.9% 12.0% 12.5%				Return on Com Equity				11.5%			
Cash Assets 1.3 23.5 26.2				113% 84% 67% 67% 58% 64% 61% 47%				49% 45% 49% 53%				All Div'ds to Net Prof			
Other 164.3 160.5 176.4				BUSINESS:				American States Water Co. operates as a holding company. Through its principal subsidiary, Golden State Water Company, it supplies water to more than 250,000 customers in 75 communities in 10 counties. Service areas include the greater metropolitan areas of Los Angeles and Orange Counties. The company also provides electric utility services to nearly 23,250 customers in the city of Big Bear Lake and in areas of San Bernardino County. Sold Chaparral City Water of Arizona (6/11). Has 728 employees. Officers & directors own 2.9% of common stock (4/12 Proxy). Chairman: Lloyd Ross. President & CEO: Robert J. Sprowls, Inc. CA. Addr: 630 East Foothill Boulevard, San Dimas, CA 91773. Tel: 909-394-3600. Internet: www.aswater.com.							
Current Assets 165.6 184.0 202.6				American States Water's core water utility business probably just completed a highly profitable 2013. Through the September quarter, Golden Gate Water's contribution to share net rose a whopping 28%. This occurred despite higher administrative and purchased water costs and a smaller contribution from the company's nonutility business. These expenses were more than offset by increased revenue resulting from the implementation of higher rates. We are relatively bullish on American States' nonutility business. The company runs the water systems at nine U.S. military bases through its ASUS subsidiary. There is ongoing debate on Wall Street regarding the future growth in this sector. Some feel that the company's earnings peaked in 2012 when they contributed almost \$0.40 a share to the bottom line. We are on the other side of this argument. American States' long experience in running these operations will enable it to win more bids from army bases through 2016-2018, in our opinion. Currently, the utility is involved in the bidding for 10 installations that are looking to outsource these operations. Indeed, annual profits from this sector could grow to as high as \$0.50 a share over the next three- to five-year period. Finances are healthy. Internally generated funds should be sufficient to cover American States' construction budget for the foreseeable future. As a result, we think that the strong equity-to-total capital ratio should remain at a very solid 57%. Reflecting this is the company's Financial Strength rating of an A, the highest grade of any water utility. The company's long-term dividend growth prospects are robust as well. The equity's yield is close to the norm for the water utility group. However, its dividend growth prospects of 9% through 2016-2018 are significantly above the industry average. Thus, investors currently don't have to pay as high a premium for the stock as they had to in the past. And, while the nonutility operations have lowered the company's earnings predictability compared to its peers, we think the stock is still attractive on a risk-return basis. James A. Flood January 17, 2014											
Accts Payable 37.9 40.6 62.9															
Debt Due .3 3.3 3.4															
Other 66.2 49.8 49.4															
Current Liab. 104.4 93.7 115.7															
Fix. Chg. Cov. 401% 442% 450%															
ANNUAL RATES				Past 10 Yrs. 5 Yrs. Est'd '10-'12 of change (per sh)											
Revenues 5.5% 7.5% 3.0%															
"Cash Flow" 6.5% 9.0% 4.5%															
Earnings 6.5% 11.6% 7.0%															
Dividends 3.0% 4.5% 10.0%															
Book Value 5.0% 5.5% 7.0%															
Cal- Mar.31 Jun.30 Sep.30 Dec.31 Full Year															
2010 88.4 95.5 111.3 103.7 398.9															
2011 94.3 109.8 119.9 95.3 419.3															
2012 107.6 114.3 133.5 111.5 468.9															
2013 110.5 120.7 130.9 112.9 475															
2014 115 125 140 120 500															
Cal- Mar.31 Jun.30 Sep.30 Dec.31 Full Year															
2010 .23 .24 .31 .33 1.11															
2011 .19 .34 .42 .17 1.12															
2012 .27 .40 .49 .26 1.41															
2013 .35 .43 .53 .24 1.55															
2014 .33 .42 .55 .30 1.60															
Cal- Mar.31 Jun.30 Sep.30 Dec.31 Full Year															
2010 .13 .13 .13 .13 .52															
2011 .13 .14 .14 .14 .55															
2012 .14 .14 .1775 .1775 .64															
2013 .1775 .1775 .2025 .2025 .76															
2014															

(A) Primary earnings. Excludes nonrecurring gains/(losses): '04, '06, '07, '08, '09, '10, '11, '12, '13, '14, '15, '16, '17, '18, '19, '20, '21, '22, '23, '24, '25, '26, '27, '28, '29, '30, '31, '32, '33, '34, '35, '36, '37, '38, '39, '40, '41, '42, '43, '44, '45, '46, '47, '48, '49, '50, '51, '52, '53, '54, '55, '56, '57, '58, '59, '60, '61, '62, '63, '64, '65, '66, '67, '68, '69, '70, '71, '72, '73, '74, '75, '76, '77, '78, '79, '80, '81, '82, '83, '84, '85, '86, '87, '88, '89, '90, '91, '92, '93, '94, '95, '96, '97, '98, '99, '00, '01, '02, '03, '04, '05, '06, '07, '08, '09, '10, '11, '12, '13, '14, '15, '16, '17, '18, '19, '20, '21, '22, '23, '24, '25, '26, '27, '28, '29, '30, '31, '32, '33, '34, '35, '36, '37, '38, '39, '40, '41, '42, '43, '44, '45, '46, '47, '48, '49, '50, '51, '52, '53, '54, '55, '56, '57, '58, '59, '60, '61, '62, '63, '64, '65, '66, '67, '68, '69, '70, '71, '72, '73, '74, '75, '76, '77, '78, '79, '80, '81, '82, '83, '84, '85, '86, '87, '88, '89, '90, '91, '92, '93, '94, '95, '96, 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[illegible]

(A) Diluted earnings. Excludes nonrecurring losses: '08, \$4.62; '09, \$2.63; '11, \$0.07. Discontinued operations: '06, (4¢); '11, 3¢; '12, (10¢). Next earnings report due early February.

Quarterly earnings may not sum due to rounding. (B) Dividends paid in March, June, September, and December. ■ Div. reinvestment available. (C) In millions. (D) Includes in-

tangibles. In 2012: \$1.207 billion, \$6.82/share.
(F) Pro forma numbers for '06 & '07.

Company's Financial Strength	B+
Stock's Price Stability	95
Price Growth Persistence	75
Earnings Predictability	20

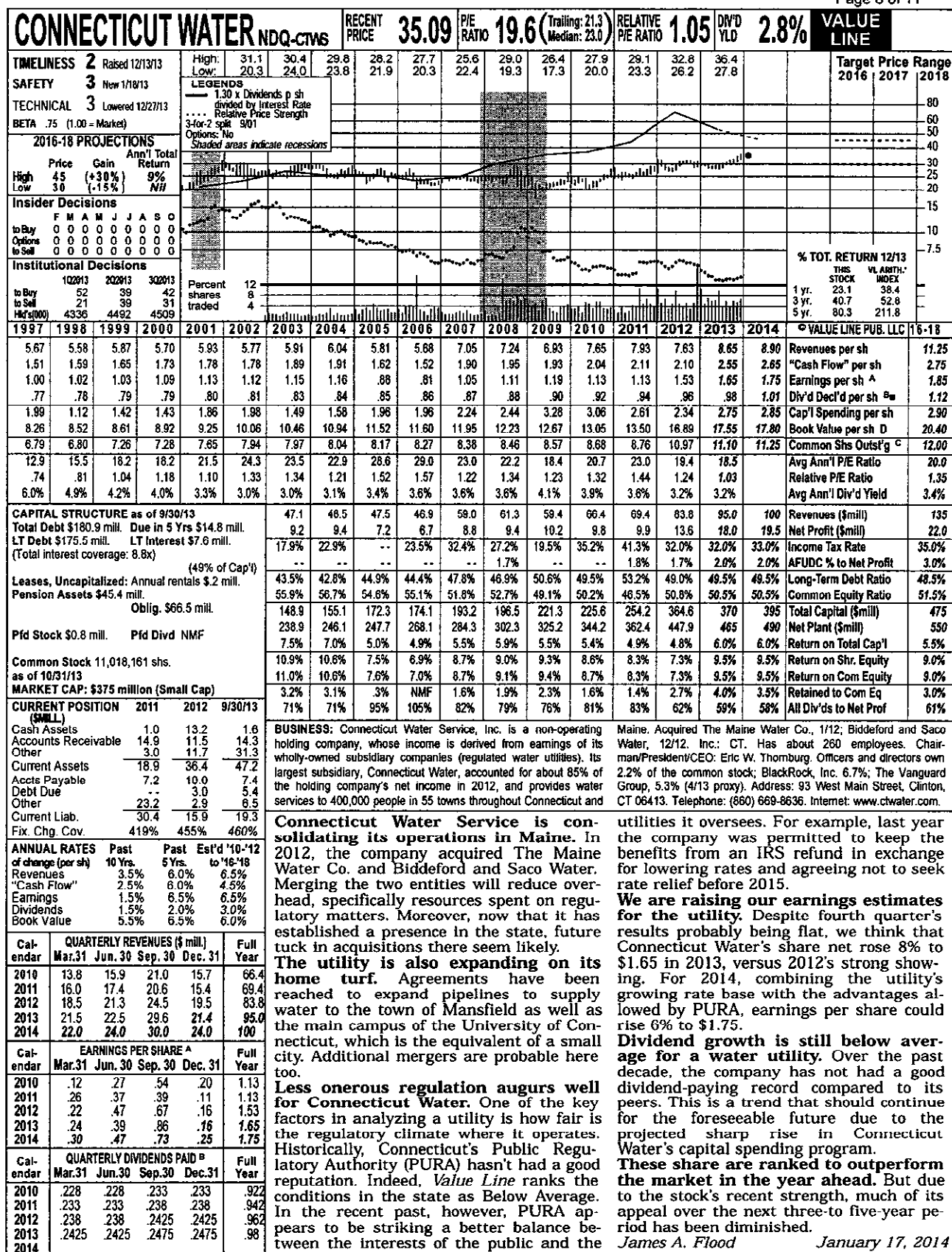
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ARTESIAN RES. CORP. NDQ-ARTNA				RECENT PRICE	23.70	TRAILING P/E RATIO	24.7	RELATIVE P/E RATIO	1.21	DIV'D YLD	3.5%	VALUE LINE	
RANKS				22.62 17.20	22.33 17.90	20.67 18.26	19.31 13.00	18.73 12.81	19.59 16.43	19.99 15.16	24.43 18.20	24.27 21.52	High Low
PERFORMANCE	3	Average	<div>LEGENDS</div> <div>— 12 Mos Mov Avg</div> <div>... Rel Price Strength</div> <div>3-for-2 split 7/06</div> <div>Shaded area indicates recession</div>										
Technical	3	Average											
SAFETY	3	Average											
BETA .55	(1.00 = Market)												
Financial Strength	B												
Price Stability	95												
Price Growth Persistence	50												
Earnings Predictability	85												
© VALUE LINE PUBLISHING LLC				2005	2006	2007	2008	2009	2010	2011	2012	2013	2014/2015
SALES PER SH				7.52	7.77	7.20	7.59	8.11	8.48	7.56	8.10	—	
"CASH FLOW" PER SH				1.56	1.75	1.57	1.65	1.84	1.92	1.64	2.04	—	
EARNINGS PER SH				.81	.97	.90	.86	.97	1.00	.83	1.13	1.02 ^{A,B}	1.23 ^{C/NA}
DIV'DS DECL'D PER SH				.58	.61	.66	.71	.72	.75	.76	.79	—	
CAP'L SPENDING PER SH				3.35	5.08	3.66	6.09	2.32	2.57	1.83	2.36	—	
BOOK VALUE PER SH				9.60	10.15	11.66	11.86	12.15	12.44	13.12	13.57	—	
COMMON SHS OUTST'G (MILL)				6.02	6.09	7.30	7.40	7.51	7.65	8.61	8.71	—	
AVG ANN'L P/E RATIO				24.2	20.3	21.5	20.1	16.4	18.2	22.5	18.3	23.2	19.3/NA
RELATIVE P/E RATIO				1.28	1.10	1.14	1.21	1.09	1.16	1.41	1.17	—	
AVG ANN'L DIV'D YIELD				2.9%	3.1%	3.4%	4.1%	4.5%	4.1%	4.1%	3.8%	—	
SALES (\$MILL)				45.3	47.3	52.5	56.2	60.9	64.9	65.1	70.6	—	Bold figures are consensus earnings estimates and, using the recent prices, P/E ratios.
OPERATING MARGIN				100.0%	45.6%	45.6%	45.1%	46.9%	46.5%	45.5%	48.7%	—	
DEPRECIATION (\$MILL)				4.4	4.6	5.2	5.8	6.6	7.0	7.4	7.9	—	
NET PROFIT (\$MILL)				5.0	6.1	6.3	6.4	7.3	7.6	6.7	9.8	—	
INCOME TAX RATE				39.9%	39.0%	39.8%	40.8%	40.1%	40.0%	40.8%	40.2%	—	
NET PROFIT MARGIN				11.1%	12.8%	11.9%	11.4%	11.9%	11.7%	10.4%	14.0%	—	
WORKING CAP'L (\$MILL)				d1.8	d8.8	2.5	d20.9	d23.3	d27.9	d11.4	d11.4	—	
LONG-TERM DEBT (\$MILL)				92.4	92.1	91.8	107.6	106.0	105.1	106.5	106.3	—	
SHR. EQUITY (\$MILL)				57.8	61.8	85.1	87.8	91.2	95.1	113.0	118.2	—	
RETURN ON TOTAL CAP'L				5.3%	5.8%	5.3%	4.7%	5.2%	5.6%	4.6%	5.9%	—	
RETURN ON SHR. EQUITY				8.7%	9.8%	7.4%	7.3%	8.0%	8.0%	6.0%	8.3%	—	
RETAINED TO COM EQ				2.7%	3.8%	2.1%	1.4%	2.1%	2.0%	.5%	2.5%	—	
ALL DIV'DS TO NET PROF				69%	61%	71%	81%	74%	75%	92%	70%	—	
^A No. of analysts changing earn. est. in last 3 days: 0 up, 0 down, consensus 5-year earnings growth not available. ^B Based upon 3 analysts' estimates. ^C Based upon 3 analysts' estimates.													
ANNUAL RATES						INDUSTRY: Water Utility							
of change (per share)						5 Yrs.	1 Yr.						
Sales						1.5%	7.0%						
"Cash Flow"						3.0%	24.0%						
Earnings						2.0%	36.0%						
Dividends						4.5%	4.0%						
Book Value						4.5%	3.5%						
Fiscal Year	QUARTERLY SALES (\$mill.)				Full Year								
	1Q	2Q	3Q	4Q									
12/31/11	14.8	16.5	17.7	16.1	65.1								
12/31/12	16.7	17.9	19.0	17.0	70.6								
12/31/13	16.3	17.8	18.1										
12/31/14													
Fiscal Year	EARNINGS PER SHARE				Full Year								
	1Q	2Q	3Q	4Q									
12/31/10	.22	.24	.38	.16	1.00								
12/31/11	.14	.23	.26	.20	.83								
12/31/12	.28	.32	.33	.20	1.13								
12/31/13	.19	.28	.29	.24									
12/31/14	.20	.34											
Cal-endar	QUARTERLY DIVIDENDS PAID				Full Year								
	1Q	2Q	3Q	4Q									
2011	.19	.19	.19	.193	.76								
2012	.193	.198	.198	.203	.79								
2013	.203	.206	.206	.209	.82								
2014													
INSTITUTIONAL DECISIONS													
		1Q'13	2Q'13	3Q'13									
to Buy		32	31	30									
to Sell		26	30	27									
Hld's(000)		3036	3029	3033									
ASSETS (\$mill.)						2011	2012	9/30/13					
Cash Assets						.3	.6	.6					
Receivables						8.6	8.7	8.8					
Inventory						1.5	1.4	1.6					
Other						2.9	2.8	3.7					
Current Assets						13.3	13.5	14.7					
Property, Plant & Equip, at cost						435.0	454.4	--					
Accum Depreciation						77.4	83.8	--					
Net Property						357.6	370.6	378.2					
Other						7.8	7.6	7.5					
Total Assets						378.7	391.7	400.4					
LIABILITIES (\$mill.)													
Accts Payable						2.8	3.5	3.7					
Debt Due						13.8	12.6	10.9					
Other						8.1	8.8	11.8					
Current Liab						24.7	24.9	26.4					
LONG-TERM DEBT AND EQUITY as of 9/30/13													
Total Debt \$116.6 mill.						Due in 5 Yrs. NA							
LT Debt \$105.7 mill.													
Including Cap. Leases NA						(47% of Cap'l)							
Leases, Uncapitalized Annual rentals NA													
Pension Liability \$4 mill. in '12 vs. \$5 mill. in '11													
Pfd Stock None						Pfd Div'd Paid None							
Common Stock 8,793,216 shares						(53% of Cap'l)							
TOTAL SHAREHOLDER RETURN						Dividends plus appreciation as of 12/31/2013							
		3 Mos.	6 Mos.	1 Yr.	3 Yrs.	5 Yrs.							
		4.10%	4.92%	6.13%	35.96%	76.91%							

<p>(A) Basic EPS. Excl. nonrecurring gain (loss): '00, (4¢); '01, 2¢; '02, 4¢; '11, 4¢. Next earnings report due mid-February.</p> <p>(B) Dividends historically paid in late Feb.,</p>	<p>May, Aug., and Nov. = Div'd reinvestment plan available.</p> <p>(C) Incl. intangible assets. In '12: \$18.8 mill., \$0.44/sh.</p>	<p>(D) In millions, adjusted for splits.</p> <p>(E) Excludes non-reg. rev.</p>	<p>Company's Financial Strength B++</p> <p>Stock's Price Stability 100</p> <p>Price Growth Persistence 50</p> <p>Earnings Predictability 90</p>
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James A. Flood
January 17, 2014

MIDDLESEX WATER NDQ-MSEX										RECENT PRICE	20.80	P/E RATIO	21.4 (Trailing: 20.6 Median: 22.0)	RELATIVE P/E RATIO	1.15	DIV YLD	3.7%	VALUE LINE								
TIMELINESS 3 Lowered 11/15/13										High: 20.0	21.2	21.8	23.5	20.5	20.2	19.8	17.9	19.3	19.4	19.6	22.5		Target Price Range			
SAFETY 2 New 10/21/11										Low: 13.7	15.8	16.7	17.1	16.5	16.9	12.0	11.6	14.7	16.5	17.5	18.6		2016	2017	2018	
TECHNICAL 3 Lowered 1/17/14										LEGENDS																
BETA .75 (1.00 = Market)										1.20 x Dividends p sh divided by Interest Rate																
2016-18 PROJECTIONS										Relative Price Strength																
Price Gain Ann'l Total										3-for-2 split 1/02																
High 25 (+20%) 8%										4-for-3 split 11/03																
Low 20 (-5%) 3%										Options: No																
Insider Decisions										Shaded areas indicate recessions																
Institutional Decisions																										
10/2013 20/2013 30/2013										Percent shares traded																
to Buy 38 37 42										12																
to Sell 30 35 29										8																
Hldrs 6579 6489 6608																										
1997 1998 1999 2000 2001 2002 2003 2004 2005 2006 2007 2008 2009 2010 2011 2012 2013 2014																										
4.72 4.39 5.35 5.39 5.87 5.98 6.12 6.25 6.44 6.16 6.50 6.79 6.75 6.60 6.50 6.98 7.20 7.70																				Revenues per sh 9.10						
1.02 1.02 1.19 .99 1.18 1.20 1.15 1.28 1.33 1.33 1.49 1.53 1.40 1.55 1.46 1.56 1.75 1.85																				"Cash Flow" per sh 2.30						
.67 .71 .76 .51 .66 .73 .81 .73 .71 .82 .87 .89 .72 .96 .84 .90 1.00 1.05																				Earnings per sh ^ 1.15						
.57 .58 .60 .61 .62 .63 .65 .66 .67 .68 .69 .70 .71 .72 .73 .74 .75 .76																				Div'd Decl'd per sh B .80						
1.20 2.68 2.33 1.32 1.25 1.59 1.87 2.54 2.18 2.31 1.66 2.12 1.49 1.90 1.50 1.36 1.50 1.65																				Cap'l Spending per sh 2.00						
6.00 6.80 6.95 6.98 7.11 7.39 7.60 8.02 8.26 8.52 10.05 10.03 10.33 11.13 11.27 11.48 11.70 12.10																				Book Value per sh D 12.90						
8.54 9.82 10.00 10.11 10.17 10.36 10.48 11.36 11.58 13.17 13.25 13.40 13.52 15.57 15.70 15.82 16.00 16.25																				Common Shs Outst'g C 17.00						
13.4 15.2 17.6 28.7 24.6 23.5 30.0 26.4 27.4 22.7 21.8 19.8 21.0 17.8 21.7 20.8 20.3																				Avg Ann'l P/E Ratio 20.0						
.77 .79 1.00 1.87 1.26 1.28 1.71 1.39 1.46 1.23 1.15 1.19 1.40 1.13 1.36 1.33 1.13																				Relative P/E Ratio 1.35						
6.3% 5.4% 4.4% 4.2% 3.8% 3.7% 3.5% 3.4% 3.5% 3.7% 3.7% 4.0% 4.7% 4.2% 4.0% 4.0% 3.7%																				Avg Ann'l Div'd Yield 3.6%						
CAPITAL STRUCTURE as of 9/30/13										64.1 71.0 74.6 81.1 86.1 91.0 91.2 102.7 102.1 110.4 115 125										Revenues (\$mill) 155						
Total Debt \$166.4 mill. Due in 5 Yrs \$60.0 mill.										6.6 8.4 8.5 10.0 11.8 12.2 10.0 14.3 13.4 14.4 16.0 17.0										Net Profit (\$mill) 20.0						
LT Debt \$130.6 mill. LT Interest \$7.0 mill.										32.8% 31.1% 27.6% 33.4% 32.6% 33.2% 34.1% 32.1% 32.7% 33.9% 34.0% 34.0%										Income Tax Rate 34.0%						
(LT interest coverage: 4.1x)										-- -- -- -- -- -- -- 6.8% 6.1% 3.4% 4.5% 4.5%										AFUDC % to Net Profit 5.0%						
(41% of Cap'l)										53.8% 53.8% 55.3% 49.5% 49.0% 45.6% 46.8% 43.1% 42.3% 41.5% 41.5% 42.0%										Long-Term Debt Ratio 43.0%						
Pension Assets-12/12 \$37.9 mill.										44.0% 42.5% 41.3% 47.5% 49.6% 51.8% 52.1% 55.8% 56.6% 57.4% 57.5% 57.0%										Common Equity Ratio 57.0%						
Oblig. \$62.8 mill.										181.1 214.5 231.7 264.0 268.8 259.4 267.9 310.5 312.5 316.5 325 345										Total Capital (\$mill) 400						
Pfd Stock \$2.9 mill. Pfd Div'd: \$.1 mill.										230.9 262.9 288.0 317.1 333.9 366.3 376.5 405.9 422.2 435.2 445 450										Net Plant (\$mill) 510						
Common Stock 15,919,974 shs. as of 10/31/13										5.0% 5.1% 5.0% 5.1% 5.6% 5.8% 5.0% 5.7% 5.2% 5.4% 6.0% 7.0%										Return on Total Cap'l 5.5%						
MARKET CAP: \$325 million (Small Cap)										7.9% 8.5% 8.2% 7.5% 8.6% 8.6% 7.0% 8.1% 7.5% 7.8% 8.5% 8.5%										Return on Shr. Equity 9.0%						
CURRENT POSITION 2011 2012 9/30/13										8.0% 9.0% 8.6% 7.8% 8.7% 8.9% 7.0% 8.2% 7.5% 7.8% 8.5% 8.5%										Return on Com Equity 9.0%						
CASH POS. (SMALL)										NMF .9% .6% 1.3% 1.8% 2.0% .1% 2.1% 1.0% 1.4% 2.0% 2.5%										Retained to Com Eq 3.0%						
Cash Assets 3.1 3.0 3.0										106% 90% 94% 84% 79% 78% 98% 75%										All Div'ds to Net Prof 70%						
Other 19.8 21.6 24.3										BUSINESS: Middlesex Water Company engages in the ownership and operation of regulated water utility systems in New Jersey, Delaware, and Pennsylvania. It also operates water and wastewater systems under contract on behalf of municipal and private clients in NJ and DE. Its Middlesex System provides water services to 60,000 retail customers, primarily in Middlesex County, New Jersey. In 2012, the Middlesex System accounted for 65% of total revenues. At 12/31/12, the company had 279 employees. Incorporated: NJ. President, CEO, and Chairman: Dennis W. Doll. Officers/directors own 3.1% of the common stock; BlackRock, 6.3%; The Vanguard Group, 5.7% (4/13 proxy). Address: 1500 Ronson Road, Iselin, NJ 08830. Tel.: 732-634-1500. Internet: www.middlesexwater.com.																
Current Assets 22.9 24.6 27.3										2012, the Middlesex System accounted for 65% of total revenues. At 12/31/12, the company had 279 employees. Incorporated: NJ. President, CEO, and Chairman: Dennis W. Doll. Officers/directors own 3.1% of the common stock; BlackRock, 6.3%; The Vanguard Group, 5.7% (4/13 proxy). Address: 1500 Ronson Road, Iselin, NJ 08830. Tel.: 732-634-1500. Internet: www.middlesexwater.com.																
Accts Payable 5.7 3.8 4.4										2012, the Middlesex System accounted for 65% of total revenues. At 12/31/12, the company had 279 employees. Incorporated: NJ. President, CEO, and Chairman: Dennis W. Doll. Officers/directors own 3.1% of the common stock; BlackRock, 6.3%; The Vanguard Group, 5.7% (4/13 proxy). Address: 1500 Ronson Road, Iselin, NJ 08830. Tel.: 732-634-1500. Internet: www.middlesexwater.com.																
Debt Due 4.6 11.1 35.8										2012, the Middlesex System accounted for 65% of total revenues. At 12/31/12, the company had 279 employees. Incorporated: NJ. President, CEO, and Chairman: Dennis W. Doll. Officers/directors own 3.1% of the common stock; BlackRock, 6.3%; The Vanguard Group, 5.7% (4/13 proxy). Address: 1500 Ronson Road, Iselin, NJ 08830. Tel.: 732-634-1500. Internet: www.middlesexwater.com.																
Other 36.4 41.1 12.1										2012, the Middlesex System accounted for 65% of total revenues. At 12/31/12, the company had 279 employees. Incorporated: NJ. President, CEO, and Chairman: Dennis W. Doll. Officers/directors own 3.1% of the common stock; BlackRock, 6.3%; The Vanguard Group, 5.7% (4/13 proxy). Address: 1500 Ronson Road, Iselin, NJ 08830. Tel.: 732-634-1500. Internet: www.middlesexwater.com.																
Current Liab. 46.7 56.0 52.3										2012, the Middlesex System accounted for 65% of total revenues. At 12/31/12, the company had 279 employees. Incorporated: NJ. President, CEO, and Chairman: Dennis W. Doll. Officers/directors own 3.1% of the common stock; BlackRock, 6.3%; The Vanguard Group, 5.7% (4/13 proxy). Address: 1500 Ronson Road, Iselin, NJ 08830. Tel.: 732-634-1500. Internet: www.middlesexwater.com.																
Fix. Chg. Cov. 380% 410% 415%										2012, the Middlesex System accounted for 65% of total revenues. At 12/31/12, the company had 279 employees. Incorporated: NJ. President, CEO, and Chairman: Dennis W. Doll. Officers/directors own 3.1% of the common stock; BlackRock, 6.3%; The Vanguard Group, 5.7% (4/13 proxy). Address: 1500 Ronson Road, Iselin, NJ 08830. Tel.: 732-634-1500. Internet: www.middlesexwater.com.																
ANNUAL RATES of change (per sh)										2012, the Middlesex System accounted for 65% of total revenues. At 12/31/12, the company had 279 employees. Incorporated: NJ. President, CEO, and Chairman: Dennis W. Doll. Officers/directors own 3.1% of the common stock; BlackRock, 6.3%; The Vanguard Group, 5.7% (4/13 proxy). Address: 1500 Ronson Road, Iselin, NJ 08830. Tel.: 732-634-1500. Internet: www.middlesexwater.com.																
Past 10 Yrs. Past 5 Yrs. to '16-'18										2012, the Middlesex System accounted for 65% of total revenues. At 12/31/12, the company had 279 employees. Incorporated: NJ. President, CEO, and Chairman: Dennis W. Doll. Officers/directors own 3.1% of the common stock; BlackRock, 6.3%; The Vanguard Group, 5.7% (4/13 proxy). Address: 1500 Ronson Road, Iselin, NJ 08830. Tel.: 732-634-1500. Internet: www.middlesexwater.com.																
Revenues 1.5% 1.0% 5.5%										2012, the Middlesex System accounted for 65% of total revenues. At 12/31/12, the company had 279 employees. Incorporated: NJ. President, CEO, and Chairman: Dennis W. Doll. Officers/directors own 3.1% of the common stock; BlackRock, 6.3%; The Vanguard Group, 5.7% (4/13 proxy). Address: 1500 Ronson Road, Iselin, NJ 08830. Tel.: 732-634-1500. Internet: www.middlesexwater.com.																
"Cash Flow" 3.0% 2.0% 7.0%										2012, the Middlesex System accounted for 65% of total revenues. At 12/31/12, the company had 279 employees. Incorporated: NJ. President, CEO, and Chairman: Dennis W. Doll. Officers/directors own 3.1% of the common stock; BlackRock, 6.3%; The Vanguard Group, 5.7% (4/13 proxy). Address: 1500 Ronson Road, Iselin, NJ 08830. Tel.: 732-634-1500. Internet: www.middlesexwater.com.																
Earnings 3.5% 2.5% 4.0%										2012, the Middlesex System accounted for 65% of total revenues. At 12/31/12, the company had 279 employees. Incorporated: NJ. President, CEO, and Chairman: Dennis W. Doll. Officers/directors own 3.1% of the common stock; BlackRock, 6.3%; The Vanguard Group, 5.7% (4/13 proxy). Address: 1500 Ronson Road, Iselin, NJ 08830. Tel.: 732-634-1500. Internet: www.middlesexwater.com.																
Dividends 1.5% 1.5% 1.5%										2012, the Middlesex System accounted for 65% of total revenues. At 12/31/12, the company had 279 employees. Incorporated: NJ. President, CEO, and Chairman: Dennis W. Doll. Officers/directors own 3.1% of the common stock; BlackRock, 6.3%; The Vanguard Group, 5.7% (4/13 proxy). Address: 1500 Ronson Road, Iselin, NJ 08830. Tel.: 732-634-1500. Internet: www.middlesexwater.com.																
Book Value 4.5% 4.0% 2.0%										2012, the Middlesex System accounted for 65% of total revenues. At 12/31/12, the company had 279 employees. Incorporated: NJ. President, CEO, and Chairman: Dennis W. Doll. Officers/directors own 3.1% of the common stock; BlackRock, 6.3%; The Vanguard Group, 5.7% (4/13 proxy). Address: 1500 Ronson Road, Iselin, NJ 08830. Tel.: 732-634-1500. Internet: www.middlesexwater.com.																
Cal-endar Mar.31 Jun.30 Sep.30 Dec.31 Full Year										2012, the Middlesex System accounted for 65% of total revenues. At 12/31/12, the company had 279 employees. Incorporated: NJ. President, CEO, and Chairman: Dennis W. Doll. Officers/directors own 3.1% of the common stock; BlackRock, 6.3%; The Vanguard Group, 5.7% (4/13 proxy). Address: 1500 Ronson Road, Iselin, NJ 08830. Tel.: 732-634-1500. Internet: www.middlesexwater.com.																
2010 21.6 26.5 29.6 25.0 102.7										2012, the Middlesex System accounted for 65% of total revenues. At 12/31/12, the company had 279 employees. Incorporated: NJ. President, CEO, and Chairman: Dennis W. Doll. Officers/directors own 3.1% of the common stock; BlackRock, 6.3%; The Vanguard Group, 5.7% (4/13 proxy). Address: 1500 Ronson Road, Iselin, NJ 08830. Tel.: 732-634-1500. Internet: www.middlesexwater.com.																
2011 24.0 26.1 28.7 23.3 102.1										2012, the Middlesex System accounted for 65% of total revenues. At 12/31/12, the company had 279 employees. Incorporated: NJ. President, CEO, and Chairman: Dennis W. Doll. Officers/directors own 3.1% of the common stock; BlackRock, 6.3%; The Vanguard Group, 5.7% (4/13 proxy). Address: 1500 Ronson Road, Iselin, NJ 08830. Tel.: 732-634-1500. Internet: www.middlesexwater.com.																
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2013 27.0 29.1 31.3 27.6 115										2012, the Middlesex System accounted for 65% of total revenues. At 12/31/12, the company had 279 employees. Incorporated: NJ. President, CEO, and Chairman: Dennis W. Doll. Officers/directors own 3.1% of the common stock; BlackRock, 6.3%; The Vanguard Group, 5.7% (4/13 proxy). Address: 1500 Ronson Road, Iselin, NJ 08830. Tel.: 732-634-1500. Internet: www.middlesexwater.com.																
2014 30.0 30.0 35.0 30.0 125										2012, the Middlesex System accounted for 65% of total revenues. At 12/31/12, the company had 279 employees. Incorporated: NJ. President, CEO, and Chairman: Dennis W. Doll. Officers/directors own 3.1% of the common stock; BlackRock, 6.3%; The Vanguard Group, 5.7% (4/13 proxy). Address: 1500 Ronson Road, Iselin, NJ 08830. Tel.: 732-634-1500. Internet: www.middlesexwater.com.																
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2010 .11 .31 .37 .17 .96										2012, the Middlesex System accounted for 65% of total revenues. At 12/31/12, the company had 279 employees. Incorporated: NJ. President, CEO, and Chairman: Dennis W. Doll. Officers/directors own 3.1% of the common stock; BlackRock, 6.3%; The Vanguard Group, 5.7% (4/13 proxy). Address: 1500 Ronson Road, Iselin, NJ 08830. Tel.: 732-634-1500. Internet: www.middlesexwater.com.																
2011 .17 .23 .32 .12 .84										2012, the Middlesex System accounted for 65% of total revenues. At 12/31/12, the company had 279 employees. Incorporated: NJ. President, CEO, and Chairman: Dennis W. Doll. Officers/directors own 3.1% of the common stock; BlackRock, 6.3%; The Vanguard Group, 5.7% (4/13 proxy). Address: 1500 Ronson Road, Iselin, NJ 08830. Tel.: 732-634-1500. Internet: www.middlesexwater.com.																
2012 .11 .23 .38 .17 .90										2012, the Middlesex System accounted for 65% of total revenues. At 12/31/12, the company had 279 employees. Incorporated: NJ. President, CEO, and Chairman: Dennis W. Doll. Officers/directors own 3.1% of the common stock; BlackRock, 6.3%; The Vanguard Group, 5.7% (4/13 proxy). Address: 1500 Ronson Road, Iselin, NJ 08830. Tel.: 732-634-1500. Internet: www.middlesexwater.com.																
2013 .20 .28 .36 .16 1.00										2012, the Middlesex System accounted for 65% of total revenues. At 12/31/12, the company had 279 employees. Incorporated: NJ. President, CEO, and Chairman: Dennis W. Doll. Officers/directors own 3.1% of the common stock; BlackRock, 6.3%; The Vanguard Group, 5.7% (4/13 proxy). Address: 1500 Ronson Road, Iselin, NJ 08830. Tel.: 732-634-1500. Internet: www.middlesexwater.com.																
2014 .17 .28 .40 .20 1.05										2012, the Middlesex System accounted for 65% of total revenues. At 12/31/12, the company had 279 employees. Incorporated: NJ. President, CEO, and Chairman: Dennis W. Doll. Officers/directors own 3.1% of the common stock; BlackRock, 6.3%; The Vanguard Group, 5.7% (4/13 proxy). Address: 1500 Ronson Road, Iselin, NJ 08830. Tel.: 732-634-1500. Internet: www.middlesexwater.com.																
Cal-endar Mar.31 Jun.30 Sep.30 Dec.31 Full Year										2012, the Middlesex System accounted for 65% of total revenues. At 12/31/12, the company had 279 employees. Incorporated: NJ. President, CEO, and Chairman: Dennis W. Doll. Officers/directors own 3.1% of the common stock; BlackRock, 6.3%; The Vanguard Group, 5.7% (4/13 proxy). Address: 1500 Ronson Road, Iselin, NJ 08830. Tel.: 732-634-1500. Internet: www.middlesexwater.com.																
2010 .180 .180 .180 .183 .72										2012, the Middlesex System accounted for 65% of total revenues. At 12/31/12, the company had 279 employees. Incorporated: NJ. President, CEO, and Chairman: Dennis W. Doll. Officers/directors own 3.1% of the common stock; BlackRock, 6.3%; The Vanguard Group, 5.7% (4/13 proxy). Address: 1500 Ronson Road, Iselin, NJ 08830. Tel.: 732-634-1500. Internet: www.middlesexwater.com.																
2011 .183 .183 .183 .185 .73										2012, the Middlesex System accounted for 65% of total revenues. At 12/31/12, the company had 279 employees. Incorporated: NJ. President, CEO, and Chairman: Dennis W. Doll. Officers/directors own 3.1% of the common stock; BlackRock, 6.3%; The Vanguard Group, 5.7% (4/13 proxy). Address: 1500 Ronson Road, Iselin, NJ 08830. Tel.: 732-634-1500. Internet: www.middlesexwater.com.																
2012 .185 .185 .185 .1875 .74										2012, the Middlesex System accounted for 65% of total revenues. At 12/31/12, the company had 279 employees. Incorporated: NJ. President, CEO, and Chairman: Dennis W. Doll. Officers/directors own 3.1% of the common stock; BlackRock, 6.3%; The Vanguard Group, 5.7% (4/13 proxy). Address: 1500 Ronson Road, Iselin, NJ 08830. Tel.: 732-634-1500. Internet: www.middlesexwater.com.																
2013 .1875 .1875 .1875 .19 .753										2012, the Middlesex System accounted for 65% of total revenues. At 12/31/12, the company had 279 employees. Incorporated: NJ. President, CEO, and Chairman: Dennis W. Doll. Officers/directors own 3.1% of the common stock; BlackRock, 6.3%; The Vanguard Group, 5.7% (4/13 proxy). Address: 1500 Ronson Road, Iselin, NJ 08830. Tel.: 732-634-1500. Internet: www.middlesexwater.com.																
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YORK WATER NDQ:YORW			RECENT PRICE	21.37	P/E RATIO	26.7 (Trailing: 29.7 Median: 25.6)	RELATIVE P/E RATIO	1.44	DIVID YLD	2.7%	VALUE LINE															
TIMELINESS 5 Lowered 11/22/13	SAFETY 2 New 7/19/13	TECHNICAL 2 Raised 1/3/14	BETA .70 (1.00 = Market)	2016-18 PROJECTIONS	High: 13.4 13.5 14.0 17.9 21.0 18.5 16.5 18.0 18.0 18.1 18.5 22.0 Low: 8.2 9.3 11.0 11.7 15.3 15.5 6.2 9.7 12.8 15.8 16.8 17.6	LEGENDS 1.10 x Dividends p sh divided by Interest Rate 2.40-1 split 502 3.40-2 split 906 Options: No Shaded areas indicate recessions	Target Price Range 2016 2017 2018	84 48 40 32 24 20 16 12 8 6																		
Price 30 (+40%) Low 20 (-5%)	Gain 12% Ann'l Total Return 2%	Insider Decisions F M A M J J A S O to Buy 0 0 4 0 1 5 0 2 5 Options 0 0 0 0 0 0 0 0 0 to Sell 0 0 1 0 0 0 0 0 0	Institutional Decisions 10/20/13 33 32 30 to Buy 21 26 23 to Sell 3375 3346 3451	Percent shares traded 12 8 4	% TOT. RETURN 12/13 1 yr. 21.7 3 yr. 31.5 5 yr. 101.4	VS. ADJUSTED STOCK INDEX 1 yr. 38.4 3 yr. 52.8 5 yr. 211.8	VALUE LINE PUB. LLC 16-18																			
1997 1998 1999 2000 2001 2002 2003 2004 2005 2006 2007 2008 2009 2010 2011 2012 2013 2014	2.05 2.05 2.17 2.18 2.58 2.56 2.79 2.89 2.85 3.07 3.18 3.21 3.40 3.65	Revenues per sh 4.15	1.59 .57 .65 .65 .79 .77 .86 .88 .95 1.07 1.09 1.12 1.25 1.35	"Cash Flow" per sh 1.65	.43 .40 .47 .49 .56 .58 .57 .57 .64 .71 .71 .72 .75 .90	Earnings per sh A 1.05	.34 .35 .37 .39 .42 .45 .48 .49 .51 .52 .53 .54 .55 .57	Div'd Decl'd per sh B .70	.75 .66 1.07 2.50 1.69 1.85 1.69 2.17 1.18 .83 .74 .94 .90 .85	Cap'l Spending per sh 1.05	3.79 3.90 4.06 4.85 4.85 5.84 5.97 6.14 6.92 7.19 7.45 7.73 7.85 8.70	Book Value per sh 9.60	9.46 9.55 9.63 10.33 10.40 11.20 11.27 11.37 12.56 12.69 12.79 12.92 13.00 12.60	Common Shs Outst'g C 12.00	17.8 26.9 24.5 25.7 26.3 31.2 30.3 24.6 21.9 20.7 23.9 24.4 26.3	Avg Ann'l P/E Ratio 23.0	.91 1.47 1.40 1.36 1.40 1.68 1.61 1.48 1.46 1.32 1.50 1.55 1.47	Relative P/E Ratio 1.55	4.4% 3.3% 3.2% 3.1% 2.9% 2.5% 2.8% 3.5% 3.6% 3.5% 3.1% 3.1% 2.8%	Avg Ann'l Div'd Yield 2.8%						
CAPITAL STRUCTURE as of 9/30/13 Total Debt \$84.9 mill. Due in 5 Yrs \$19.5 mill. LT Debt \$84.9 mill. LT Interest \$5.2 mill. (Total interest coverage: 2.9x)	20.9 22.5 26.8 28.7 31.4 32.8 37.0 39.0 40.6 41.4 43.0 46.0	Revenues (\$mill) 50.0	4.4 4.8 5.8 6.1 6.4 6.4 7.5 8.9 9.1 9.3 10.0 11.5	Net Profit (\$mill) 12.5	34.8% 36.7% 36.7% 34.4% 36.5% 36.1% 37.9% 38.5% 35.3% 37.6% 36.0% 36.0%	Income Tax Rate 36.0%	-- -- -- 7.2% 3.6% 10.1% -- 1.2% 1.1% 1.1% 1.0%	AFUDC % to Net Profit 1.0%	43.4% 42.5% 44.1% 48.3% 46.5% 54.5% 45.7% 48.3% 47.1% 46.0% 45.0% 44.5%	Long-Term Debt Ratio 42.5%	56.8% 57.5% 55.9% 51.7% 53.5% 45.5% 54.3% 51.7% 52.9% 54.0% 55.0% 54.5%	Common Equity Ratio 57.5%	69.0 83.6 90.3 126.5 125.7 153.4 160.1 176.4 180.2 184.8 190 185	Total Capital (\$mill) 200	116.5 140.0 155.3 174.4 191.6 211.4 222.0 228.4 233.0 240.3 245 250	Net Plant (\$mill) 260	8.5% 7.6% 8.4% 8.2% 6.7% 5.7% 6.2% 6.5% 6.4% 6.4% 6.5% 7.6%	Return on Total Cap'l 7.5%	11.4% 10.0% 11.6% 9.3% 9.5% 9.2% 8.6% 9.8% 9.5% 9.3% 9.5% 11.5%	Return on Shr. Equity 11.0%	11.4% 10.0% 11.6% 9.3% 9.5% 9.2% 8.6% 9.8% 9.5% 9.3% 9.5% 11.5%	Return on Com Equity 11.0%	2.6% 2.1% 3.0% 2.2% 1.7% 1.4% 1.9% 2.7% 2.5% 2.4% 3.0% 3.0%	Retained to Com Eq 3.5%	77% 79% 74% 77% 82% 85% 78% 72% 73% 74% 71%	All Div'ds to Net Prof 67%
Pension Assets 12/12 \$22.7 mill. Oblig. \$34.7 mill.	43.4% 42.5% 44.1% 48.3% 46.5% 54.5% 45.7% 48.3% 47.1% 46.0% 45.0% 44.5%	Long-Term Debt Ratio 42.5%	56.8% 57.5% 55.9% 51.7% 53.5% 45.5% 54.3% 51.7% 52.9% 54.0% 55.0% 54.5%	Common Equity Ratio 57.5%	69.0 83.6 90.3 126.5 125.7 153.4 160.1 176.4 180.2 184.8 190 185	Total Capital (\$mill) 200	116.5 140.0 155.3 174.4 191.6 211.4 222.0 228.4 233.0 240.3 245 250	Net Plant (\$mill) 260	8.5% 7.6% 8.4% 8.2% 6.7% 5.7% 6.2% 6.5% 6.4% 6.4% 6.5% 7.6%	Return on Total Cap'l 7.5%	11.4% 10.0% 11.6% 9.3% 9.5% 9.2% 8.6% 9.8% 9.5% 9.3% 9.5% 11.5%	Return on Shr. Equity 11.0%	11.4% 10.0% 11.6% 9.3% 9.5% 9.2% 8.6% 9.8% 9.5% 9.3% 9.5% 11.5%	Return on Com Equity 11.0%	2.6% 2.1% 3.0% 2.2% 1.7% 1.4% 1.9% 2.7% 2.5% 2.4% 3.0% 3.0%	Retained to Com Eq 3.5%	77% 79% 74% 77% 82% 85% 78% 72% 73% 74% 71%	All Div'ds to Net Prof 67%								
Pfd Stock None	43.4% 42.5% 44.1% 48.3% 46.5% 54.5% 45.7% 48.3% 47.1% 46.0% 45.0% 44.5%	Long-Term Debt Ratio 42.5%	56.8% 57.5% 55.9% 51.7% 53.5% 45.5% 54.3% 51.7% 52.9% 54.0% 55.0% 54.5%	Common Equity Ratio 57.5%	69.0 83.6 90.3 126.5 125.7 153.4 160.1 176.4 180.2 184.8 190 185	Total Capital (\$mill) 200	116.5 140.0 155.3 174.4 191.6 211.4 222.0 228.4 233.0 240.3 245 250	Net Plant (\$mill) 260	8.5% 7.6% 8.4% 8.2% 6.7% 5.7% 6.2% 6.5% 6.4% 6.4% 6.5% 7.6%	Return on Total Cap'l 7.5%	11.4% 10.0% 11.6% 9.3% 9.5% 9.2% 8.6% 9.8% 9.5% 9.3% 9.5% 11.5%	Return on Shr. Equity 11.0%	11.4% 10.0% 11.6% 9.3% 9.5% 9.2% 8.6% 9.8% 9.5% 9.3% 9.5% 11.5%	Return on Com Equity 11.0%	2.6% 2.1% 3.0% 2.2% 1.7% 1.4% 1.9% 2.7% 2.5% 2.4% 3.0% 3.0%	Retained to Com Eq 3.5%	77% 79% 74% 77% 82% 85% 78% 72% 73% 74% 71%	All Div'ds to Net Prof 67%								
Common Stock 12,942,643 shs. as of 11/6/13	43.4% 42.5% 44.1% 48.3% 46.5% 54.5% 45.7% 48.3% 47.1% 46.0% 45.0% 44.5%	Long-Term Debt Ratio 42.5%	56.8% 57.5% 55.9% 51.7% 53.5% 45.5% 54.3% 51.7% 52.9% 54.0% 55.0% 54.5%	Common Equity Ratio 57.5%	69.0 83.6 90.3 126.5 125.7 153.4 160.1 176.4 180.2 184.8 190 185	Total Capital (\$mill) 200	116.5 140.0 155.3 174.4 191.6 211.4 222.0 228.4 233.0 240.3 245 250	Net Plant (\$mill) 260	8.5% 7.6% 8.4% 8.2% 6.7% 5.7% 6.2% 6.5% 6.4% 6.4% 6.5% 7.6%	Return on Total Cap'l 7.5%	11.4% 10.0% 11.6% 9.3% 9.5% 9.2% 8.6% 9.8% 9.5% 9.3% 9.5% 11.5%	Return on Shr. Equity 11.0%	11.4% 10.0% 11.6% 9.3% 9.5% 9.2% 8.6% 9.8% 9.5% 9.3% 9.5% 11.5%	Return on Com Equity 11.0%	2.6% 2.1% 3.0% 2.2% 1.7% 1.4% 1.9% 2.7% 2.5% 2.4% 3.0% 3.0%	Retained to Com Eq 3.5%	77% 79% 74% 77% 82% 85% 78% 72% 73% 74% 71%	All Div'ds to Net Prof 67%								
MARKET CAP: \$275 million (Small Cap)	43.4% 42.5% 44.1% 48.3% 46.5% 54.5% 45.7% 48.3% 47.1% 46.0% 45.0% 44.5%	Long-Term Debt Ratio 42.5%	56.8% 57.5% 55.9% 51.7% 53.5% 45.5% 54.3% 51.7% 52.9% 54.0% 55.0% 54.5%	Common Equity Ratio 57.5%	69.0 83.6 90.3 126.5 125.7 153.4 160.1 176.4 180.2 184.8 190 185	Total Capital (\$mill) 200	116.5 140.0 155.3 174.4 191.6 211.4 222.0 228.4 233.0 240.3 245 250	Net Plant (\$mill) 260	8.5% 7.6% 8.4% 8.2% 6.7% 5.7% 6.2% 6.5% 6.4% 6.4% 6.5% 7.6%	Return on Total Cap'l 7.5%	11.4% 10.0% 11.6% 9.3% 9.5% 9.2% 8.6% 9.8% 9.5% 9.3% 9.5% 11.5%	Return on Shr. Equity 11.0%	11.4% 10.0% 11.6% 9.3% 9.5% 9.2% 8.6% 9.8% 9.5% 9.3% 9.5% 11.5%	Return on Com Equity 11.0%	2.6% 2.1% 3.0% 2.2% 1.7% 1.4% 1.9% 2.7% 2.5% 2.4% 3.0% 3.0%	Retained to Com Eq 3.5%	77% 79% 74% 77% 82% 85% 78% 72% 73% 74% 71%	All Div'ds to Net Prof 67%								
CURRENT POSITION 2011 2012 9/30/13 (\$mill.)	43.4% 42.5% 44.1% 48.3% 46.5% 54.5% 45.7% 48.3% 47.1% 46.0% 45.0% 44.5%	Long-Term Debt Ratio 42.5%	56.8% 57.5% 55.9% 51.7% 53.5% 45.5% 54.3% 51.7% 52.9% 54.0% 55.0% 54.5%	Common Equity Ratio 57.5%	69.0 83.6 90.3 126.5 125.7 153.4 160.1 176.4 180.2 184.8 190 185	Total Capital (\$mill) 200	116.5 140.0 155.3 174.4 191.6 211.4 222.0 228.4 233.0 240.3 245 250	Net Plant (\$mill) 260	8.5% 7.6% 8.4% 8.2% 6.7% 5.7% 6.2% 6.5% 6.4% 6.4% 6.5% 7.6%	Return on Total Cap'l 7.5%	11.4% 10.0% 11.6% 9.3% 9.5% 9.2% 8.6% 9.8% 9.5% 9.3% 9.5% 11.5%	Return on Shr. Equity 11.0%	11.4% 10.0% 11.6% 9.3% 9.5% 9.2% 8.6% 9.8% 9.5% 9.3% 9.5% 11.5%	Return on Com Equity 11.0%	2.6% 2.1% 3.0% 2.2% 1.7% 1.4% 1.9% 2.7% 2.5% 2.4% 3.0% 3.0%	Retained to Com Eq 3.5%	77% 79% 74% 77% 82% 85% 78% 72% 73% 74% 71%	All Div'ds to Net Prof 67%								
Cash Assets 4.0 4.0 6.8	43.4% 42.5% 44.1% 48.3% 46.5% 54.5% 45.7% 48.3% 47.1% 46.0% 45.0% 44.5%	Long-Term Debt Ratio 42.5%	56.8% 57.5% 55.9% 51.7% 53.5% 45.5% 54.3% 51.7% 52.9% 54.0% 55.0% 54.5%	Common Equity Ratio 57.5%	69.0 83.6 90.3 126.5 125.7 153.4 160.1 176.4 180.2 184.8 190 185	Total Capital (\$mill) 200	116.5 140.0 155.3 174.4 191.6 211.4 222.0 228.4 233.0 240.3 245 250	Net Plant (\$mill) 260	8.5% 7.6% 8.4% 8.2% 6.7% 5.7% 6.2% 6.5% 6.4% 6.4% 6.5% 7.6%	Return on Total Cap'l 7.5%	11.4% 10.0% 11.6% 9.3% 9.5% 9.2% 8.6% 9.8% 9.5% 9.3% 9.5% 11.5%	Return on Shr. Equity 11.0%	11.4% 10.0% 11.6% 9.3% 9.5% 9.2% 8.6% 9.8% 9.5% 9.3% 9.5% 11.5%	Return on Com Equity 11.0%	2.6% 2.1% 3.0% 2.2% 1.7% 1.4% 1.9% 2.7% 2.5% 2.4% 3.0% 3.0%	Retained to Com Eq 3.5%	77% 79% 74% 77% 82% 85% 78% 72% 73% 74% 71%	All Div'ds to Net Prof 67%								
Accounts Receivable 6.0 6.4 3.9	43.4% 42.5% 44.1% 48.3% 46.5% 54.5% 45.7% 48.3% 47.1% 46.0% 45.0% 44.5%	Long-Term Debt Ratio 42.5%	56.8% 57.5% 55.9% 51.7% 53.5% 45.5% 54.3% 51.7% 52.9% 54.0% 55.0% 54.5%	Common Equity Ratio 57.5%	69.0 83.6 90.3 126.5 125.7 153.4 160.1 176.4 180.2 184.8 190 185	Total Capital (\$mill) 200	116.5 140.0 155.3 174.4 191.6 211.4 222.0 228.4 233.0 240.3 245 250	Net Plant (\$mill) 260	8.5% 7.6% 8.4% 8.2% 6.7% 5.7% 6.2% 6.5% 6.4% 6.4% 6.5% 7.6%	Return on Total Cap'l 7.5%	11.4% 10.0% 11.6% 9.3% 9.5% 9.2% 8.6% 9.8% 9.5% 9.3% 9.5% 11.5%	Return on Shr. Equity 11.0%	11.4% 10.0% 11.6% 9.3% 9.5% 9.2% 8.6% 9.8% 9.5% 9.3% 9.5% 11.5%	Return on Com Equity 11.0%	2.6% 2.1% 3.0% 2.2% 1.7% 1.4% 1.9% 2.7% 2.5% 2.4% 3.0% 3.0%	Retained to Com Eq 3.5%	77% 79% 74% 77% 82% 85% 78% 72% 73% 74% 71%	All Div'ds to Net Prof 67%								
Other 1.4 1.2 3.6	43.4% 42.5% 44.1% 48.3% 46.5% 54.5% 45.7% 48.3% 47.1% 46.0% 45.0% 44.5%	Long-Term Debt Ratio 42.5%	56.8% 57.5% 55.9% 51.7% 53.5% 45.5% 54.3% 51.7% 52.9% 54.0% 55.0% 54.5%	Common Equity Ratio 57.5%	69.0 83.6 90.3 126.5 125.7 153.4 160.1 176.4 180.2 184.8 190 185	Total Capital (\$mill) 200	116.5 140.0 155.3 174.4 191.6 211.4 222.0 228.4 233.0 240.3 245 250	Net Plant (\$mill) 260	8.5% 7.6% 8.4% 8.2% 6.7% 5.7% 6.2% 6.5% 6.4% 6.4% 6.5% 7.6%	Return on Total Cap'l 7.5%	11.4% 10.0% 11.6% 9.3% 9.5% 9.2% 8.6% 9.8% 9.5% 9.3% 9.5% 11.5%	Return on Shr. Equity 11.0%	11.4% 10.0% 11.6% 9.3% 9.5% 9.2% 8.6% 9.8% 9.5% 9.3% 9.5% 11.5%	Return on Com Equity 11.0%	2.6% 2.1% 3.0% 2.2% 1.7% 1.4% 1.9% 2.7% 2.5% 2.4% 3.0% 3.0%	Retained to Com Eq 3.5%	77% 79% 74% 77% 82% 85% 78% 72% 73% 74% 71%	All Div'ds to Net Prof 67%								
Current Assets 11.4 11.6 14.3	43.4% 42.5% 44.1% 48.3% 46.5% 54.5% 45.7% 48.3% 47.1% 46.0% 45.0% 44.5%	Long-Term Debt Ratio 42.5%	56.8% 57.5% 55.9% 51.7% 53.5% 45.5% 54.3% 51.7% 52.9% 54.0% 55.0% 54.5%	Common Equity Ratio 57.5%	69.0 83.6 90.3 126.5 125.7 153.4 160.1 176.4 180.2 184.8 190 185	Total Capital (\$mill) 200	116.5 140.0 155.3 174.4 191.6 211.4 222.0 228.4 233.0 240.3 245 250	Net Plant (\$mill) 260	8.5% 7.6% 8.4% 8.2% 6.7% 5.7% 6.2% 6.5% 6.4% 6.4% 6.5% 7.6%	Return on Total Cap'l 7.5%	11.4% 10.0% 11.6% 9.3% 9.5% 9.2% 8.6% 9.8% 9.5% 9.3% 9.5% 11.5%	Return on Shr. Equity 11.0%	11.4% 10.0% 11.6% 9.3% 9.5% 9.2% 8.6% 9.8% 9.5% 9.3% 9.5% 11.5%	Return on Com Equity 11.0%	2.6% 2.1% 3.0% 2.2% 1.7% 1.4% 1.9% 2.7% 2.5% 2.4% 3.0% 3.0%	Retained to Com Eq 3.5%	77% 79% 74% 77% 82% 85% 78% 72% 73% 74% 71%	All Div'ds to Net Prof 67%								
Accts Payable 1.1 1.1 1.9	43.4% 42.5% 44.1% 48.3% 46.5% 54.5% 45.7% 48.3% 47.1% 46.0% 45.0% 44.5%	Long-Term Debt Ratio 42.5%	56.8% 57.5% 55.9% 51.7% 53.5% 45.5% 54.3% 51.7% 52.9% 54.0% 55.0% 54.5%	Common Equity Ratio 57.5%	69.0 83.6 90.3 126.5 125.7 153.4 160.1 176.4 180.2 184.8 190 185	Total Capital (\$mill) 200	116.5 140.0 155.3 174.4 191.6 211.4 222.0 228.4 233.0 240.3 245 250	Net Plant (\$mill) 260	8.5% 7.6% 8.4% 8.2% 6.7% 5.7% 6.2% 6.5% 6.4% 6.4% 6.5% 7.6%	Return on Total Cap'l 7.5%	11.4% 10.0% 11.6% 9.3% 9.5% 9.2% 8.6% 9.8% 9.5% 9.3% 9.5% 11.5%	Return on Shr. Equity 11.0%	11.4% 10.0% 11.6% 9.3% 9.5% 9.2% 8.6% 9.8% 9.5% 9.3% 9.5% 11.5%	Return on Com Equity 11.0%	2.6% 2.1% 3.0% 2.2% 1.7% 1.4% 1.9% 2.7% 2.5% 2.4% 3.0% 3.0%	Retained to Com Eq 3.5%	77% 79% 74% 77% 82% 85% 78% 72% 73% 74% 71%	All Div'ds to Net Prof 67%								
Debt Due 1.1 1.1 --	43.4% 42.5% 44.1% 48.3% 46.5% 54.5% 45.7% 48.3% 47.1% 46.0% 45.0% 44.5%	Long-Term Debt Ratio 42.5%	56.8% 57.5% 55.9% 51.7% 53.5% 45.5% 54.3% 51.7% 52.9% 54.0% 55.0% 54.5%	Common Equity Ratio 57.5%	69.0 83.6 90.3 126.5 125.7 153.4 160.1 176.4 180.2 184.8 190 185	Total Capital (\$mill) 200	116.5 140.0 155.3 174.4 191.6 211.4 222.0 228.4 233.0 240.3 245 250	Net Plant (\$mill) 260	8.5% 7.6% 8.4% 8.2% 6.7% 5.7% 6.2% 6.5% 6.4% 6.4% 6.5% 7.6%	Return on Total Cap'l 7.5%	11.4% 10.0% 11.6% 9.3% 9.5% 9.2% 8.6% 9.8% 9.5% 9.3% 9.5% 11.5%	Return on Shr. Equity 11.0%	11.4% 10.0% 11.6% 9.3% 9.5% 9.2% 8.6% 9.8% 9.5% 9.3% 9.5% 11.5%	Return on Com Equity 11.0%	2.6% 2.1% 3.0% 2.2% 1.7% 1.4% 1.9% 2.7% 2.5% 2.4% 3.0% 3.0%	Retained to Com Eq 3.5%	77% 79% 74% 77% 82% 85% 78% 72% 73% 74% 71%	All Div'ds to Net Prof 67%								
Other 4.1 4.3 5.0	43.4% 42.5% 44.1% 48.3% 46.5% 54.5% 45.7% 48.3% 47.1% 46.0% 45.0% 44.5%	Long-Term Debt Ratio 42.5%	56.8% 57.5% 55.9% 51.7% 53.5% 45.5% 54.3% 51.7% 52.9% 54.0% 55.0% 54.5%	Common Equity Ratio 57.5%	69.0 83.6 90.3 126.5 125.7 153.4 160.1 176.4 180.2 184.8 190 185	Total Capital (\$mill) 200	116.5 140.0 155.3 174.4 191.6 211.4 222.0 228.4 233.0 240.3 245 250	Net Plant (\$mill) 260	8.5% 7.6% 8.4% 8.2% 6.7% 5.7% 6.2% 6.5% 6.4% 6.4% 6.5% 7.6%	Return on Total Cap'l 7.5%	11.4% 10.0% 11.6% 9.3% 9.5% 9.2% 8.6% 9.8% 9.5% 9.3% 9.5% 11.5%	Return on Shr. Equity 11.0%	11.4% 10.0% 11.6% 9.3% 9.5% 9.2% 8.6% 9.8% 9.5% 9.3% 9.5% 11.5%	Return on Com Equity 11.0%	2.6% 2.1% 3.0% 2.2% 1.7% 1.4% 1.9% 2.7% 2.5% 2.4% 3.0% 3.0%	Retained to Com Eq 3.5%	77% 79% 74% 77% 82% 85% 78% 72% 73% 74% 71%	All Div'ds to Net Prof 67%								
Current Liab. 5.3 5.5 6.9	43.4% 42.5% 44.1% 48.3% 46.5% 54.5% 45.7% 48.3% 47.1% 46.0% 45.0% 44.5%	Long-Term Debt Ratio 42.5%	56.8% 57.5% 55.9% 51.7% 53.5% 45.5% 54.3% 51.7% 52.9% 54.0% 55.0% 54.5%	Common Equity Ratio 57.5%	69.0 83.6 90.3 126.5 125.7 153.4 160.1 176.4 180.2 184.8 190 185	Total Capital (\$mill) 200	116.5 140.0 155.3 174.4 191.6 211.4 222.0 228.4 233.0 240.3 245 250	Net Plant (\$mill) 260	8.5% 7.6% 8.4% 8.2% 6.7% 5.7% 6.2% 6.5% 6.4% 6.4% 6.5% 7.6%																	

Artesian Water Company
Current Institutional Holdings and Individual Holdings
the Proxy Group of Nine Water Companies

	<u>1</u>	<u>2</u>
	March 03, 2014 Percentage of Institutional Holdings	March 03, 2014 Percentage of Individual Holdings (1)
Proxy Group of Nine Water Companies		
American States Water Co.	59.29 %	40.71 %
American Water Works Co., Inc.	80.62	19.38
Aqua America, Inc.	47.91	52.09
Artesian Resources Corp.	37.63	62.37
California Water Service Group	57.94	42.06
Connecticut Water Service, Inc.	40.23	59.77
Middlesex Water Company	38.24	61.76
SJW Corporation	52.96	47.04
York Water Company	<u>27.26</u>	<u>72.74</u>
Average	<u>49.12 %</u>	<u>50.88 %</u>

Notes:

(1) (1 - column 1).

Source of Information: pro.edgar-online.com, March 3, 2014

Artesian Water Company
Summary of Risk Premium Models for the
Proxy Group of Nine Water Companies

	<u>Proxy Group of Nine Water Companies</u>
Predictive Risk Premium Model TM (PRPM TM) (1)	11.67 %
Risk Premium Using an Adjusted Market Approach (2)	<u>10.03 %</u>
Weighted Average (3)	<u><u>11.26 %</u></u>

Notes:

- (1) From page 2 of this Schedule.
- (2) From page 3 of this Schedule.
- (3) Allocating a 75% weighting to PRPMTM results and 25% to the adjusted market approach as discussed in Ms. Ahern's direct testimony.

Artesian Water Company
Derivation of Common Equity Cost Rate
Using the Predictive Risk Premium Model™ (PRPM™)
Proxy Group of Nine Water Companies (1)

	American States Water Co.	American Water Works Co., Inc.	Aqua America, Inc.	Artesian Resources Corp.	California Water Service Group	Connecticut Water Service, Inc.	Middlesex Water Company	S.W. Corporation	York Water Company
GARCH Coefficient (2)	1.53539039	4.55424938	2.201821475	2.124202151	1.849771599	1.763372713	1.907163437	1.344358648	1.949912546
Average Variance (2)	0.39%	0.30%	0.47%	0.30%	0.31%	0.28%	0.27%	0.42%	0.46%
PRPM™ Derived Risk Premium (2)	7.41%	17.62%	13.29%	7.94%	7.14%	6.19%	6.35%	6.97%	11.26%
Risk-Free Rate (3)	4.40%	4.40%	4.40%	4.40%	4.40%	4.40%	4.40%	4.40%	4.40%
Indicated Cost of Common Equity	11.81%	NA	17.69%	12.34%	11.54%	10.59%	10.75%	11.37%	15.66%
								Average	12.72%
								Median	11.67%

Notes:

- (1) From first available trading month through January 2014.
- (2) Based upon data from CRSP® Data © 2012, Center For Research in Security Prices (CRSP®), The University of Chicago Booth School of Business.
- (3) From note 3 on page 2 of Schedule PMA-8.

Artesian Water Company
Indicated Common Equity Cost Rate
Through Use of a Risk Premium Model
Using an Adjusted Total Market Approach

<u>Line No.</u>		<u>Proxy Group of Nine Water Companies</u>
1.	Prospective Yield on Aaa Rated Corporate Bonds (1)	5.14 %
2.	Adjustment to Reflect Yield Spread Between Aaa Rated Corporate Bonds and A Rated Public Utility Bonds	<u>0.16 (2)</u>
3.	Adjusted Prospective Yield on A Rated Public Utility Bonds	5.30 %
4.	Adjustment to Reflect Bond Rating Difference of Proxy Group	<u>(0.04) (3)</u>
5.	Adjusted Prospective Bond Yield	5.27 %
6.	Equity Risk Premium (4)	<u>4.76</u>
7.	Risk Premium Derived Common Equity Cost Rate	<u><u>10.03 %</u></u>

- Notes: (1) Average consensus forecast of Moody's Aaa Rated Corporate bonds from Blue Chip Financial Forecasts (see pages 9 and 10 of this Schedule).
- (2) The average yield spread of A rated public utility bonds over Aaa rated corporate bonds of 0.16% from page 6 of this Schedule.
- (3) Adjustment to reflect the A1/A2 Moody's bond rating of the proxy group of nine water companies as shown on page 4 of this Schedule. The 4 basis point adjustment is derived by taking 1/6 of the spread between Aa2 and A2 Public Utility Bonds ($1/6 * 0.21\% = 0.04\%$).
- (4) From page 7 of this Schedule.

Artesian Water Company
Comparison of Bond Ratings, Business Risk and Financial Risk Profiles for the
Proxy Group of Nine Water Companies

	<u>Moody's</u>		<u>Standard & Poor's</u>	
	<u>Bond Rating</u>		<u>Bond Rating</u>	
	<u>March 2014</u>		<u>March 2014</u>	
<u>Proxy Group of Nine Water Companies</u>	<u>Bond Rating</u>	<u>Numerical Weighting (1)</u>	<u>Bond Rating</u>	<u>Numerical Weighting (1)</u>
American States Water Co. (2)	A2	6.0	A+	5.0
American Water Works Co., Inc. (3)	A1	5.0	A+	5.0
Aqua America, Inc. (4)	NR	--	AA-	4.0
Artesian Resources Corp.	NR	--	NR	--
California Water Service Group (5)	NR	--	AA-	4.0
Connecticut Water Service, Inc. (6)	NR	--	A/A-	6.5
Middlesex Water Company	NR	--	A	6.0
SJW Corporation (7)	NR	--	A	6.0
York Water Company	NR	--	A-	7.0
Average	<u>A1/A2</u>	<u>5.5</u>	<u>A+</u>	<u>5.4</u>

Notes:

- (1) From page 5 of this Schedule.
- (2) Ratings are those of Golden State Water
- (3) Ratings are those of Pennsylvania American Water.
- (4) Ratings are those of Aqua Pennsylvania, Inc.
- (5) Ratings are those of California Water Service
- (6) Ratings are those of Connecticut Water
- (7) Ratings are those of San Jose Water Co.

Source Information: Moody's Investors Service
Standard & Poor's Global Utilities Rating Service

Moody's
Comparison of Interest Rate Trends
for the Three Months Ending January 2014.(1)

Months	Corporate Bonds		Public Utility Bonds		Spread - Corporate v. Public Utility Bonds		Spread - Public Utility Bonds	
	Aaa Rated	Aa Rated	A Rated	Baa Rated	Aa (Pub. Util.) over Aaa (Corp.)	A (Pub. Util.) over Aaa (Corp.)	A over Aa	Baa over A
January-14	4.49 %	4.44 %	4.63 %	5.09 %				
December-13	4.62	4.59	4.81	5.25				
November-13	4.63	4.56	4.77	5.24				
Average of Last 3 Months	4.58 %	4.53 %	4.74 %	5.19 %	(0.05) %	0.16 %	0.21 %	0.45 %

Notes: (1) All yields are distributed yields.

Source of information: Mergent Bond Record, February 2014, Vol. 81, No. 2.

Numerical Assignment for
Moody's and Standard & Poor's Bond Ratings

<u>Moody's Bond Rating</u>	<u>Numerical Bond Weighting</u>	<u>Standard & Poor's Bond Rating</u>
Aaa	1	AAA
Aa1	2	AA+
Aa2	3	AA
Aa3	4	AA-
A1	5	A+
A2	6	A
A3	7	A-
Baa1	8	BBB+
Baa2	9	BBB
Baa3	10	BBB-
Ba1	11	BB+
Ba2	12	BB
Ba3	13	BB-
B	14	B+
B2	15	B
B3	16	B-

Artesian Water Company
Judgment of Equity Risk Premium for
the Proxy Group of Nine Water Companies

<u>Line No.</u>		<u>Proxy Group of Nine Water Companies</u>
1.	Calculated equity risk premium based on the total market using the beta approach (1)	4.54 %
2.	Mean equity risk premium based on a study using the holding period returns of public utilities with A rated bonds (2)	<u>4.97</u>
3.	Average equity risk premium	<u><u>4.76 %</u></u>

Notes: (1) From page 8 of this Schedule.
(2) From page 11 of this Schedule.

Artesian Water Company
Derivation of Equity Risk Premium Based on the Total Market Approach
Using the Beta for
the Proxy Group of Nine Water Companies

<u>Line No.</u>	<u>Proxy Group of Nine Water Companies</u>
<u>Based on SBBi Valuation Yearbook Data:</u>	
1. Ibbotson Equity Risk Premium (1)	5.60 %
2. Ibbotson Equity Risk Premium based on PRPM TM (2)	9.26
<u>Based on Value Line Summary and Index:</u>	
3. Equity Risk Premium Based on <u>Value Line</u> Summary and Index (3)	<u>3.81</u>
4. Conclusion of Equity Risk Premium (4)	6.98 %
5. Adjusted Value Line Beta (5)	<u>0.65</u>
6. Beta Adjusted Equity Risk Premium	<u>4.54 %</u>

- Notes:
- (1) Based on the arithmetic mean historical monthly returns on large company common stocks from Ibbotson® SBBi® 2013 Valuation Yearbook - Market Results for Stocks, Bonds, Bills, and Inflation minus the arithmetic mean monthly yield of Moody's Aaa and Aa corporate bonds from 1926 - 2012. (11.83% - 6.23% = 5.60%).
 - (2) The Predictive Risk Premium Model (PRPMTM) is discussed in Ms. Ahern's accompanying direct testimony. The Ibbotson equity risk premium based on the PRPMTM is derived by applying the PRPMTM to the monthly risk premiums between Ibbotson large company common stock monthly returns minus the average Aaa and Aa corporate monthly bond yields, from January 1928 through January 2014.
 - (3) The equity risk premium based on the Value Line Summary and Index is derived from taking the projected 3-5 year total annual market return of 8.95% (described fully in note 1 of page 2 of Schedule PMA-9) and subtracting the average consensus forecast of Aaa corporate bonds of 5.14% (Shown on page 3 of this Schedule). (8.95% - 5.14% = 3.81%).
 - (4) Weighted average giving 50% to the PRPMTM results and 25% to Value Line and Ibbotson results as explained in Ms. Ahern's direct testimony.
 - (5) Median beta derived from page 1 of Schedule PMA-9.

Sources of Information:

Ibbotson® SBBi® 2013 Valuation Yearbook - Market Results for Stocks, Bonds, Bills, and Inflation, Morningstar, Inc., 2013 Chicago, IL.
Industrial Manual and Mergent Bond Record Monthly Update.
Value Line Summary and Index
Blue Chip Financial Forecasts, March 1, 2014 and December 1, 2013

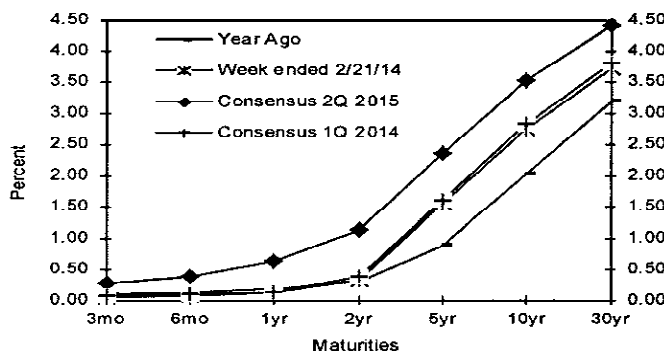
Consensus Forecasts Of U.S. Interest Rates And Key Assumptions¹

Interest Rates	History								Consensus Forecasts-Quarterly Avg.					
	Average For Week Ending				Average For Month				1Q		2Q		3Q	
	Feb. 21	Feb. 14	Feb. 7	Jan. 31	Jan.	Dec.	Nov.	4Q 2013	2014	2014	2014	2014	2015	2015
Federal Funds Rate	0.06	0.06	0.07	0.07	0.07	0.09	0.08	0.09	0.1	0.1	0.1	0.2	0.2	0.3
Prime Rate	3.25	3.25	3.25	3.25	3.25	3.25	3.25	3.25	3.3	3.3	3.3	3.3	3.3	3.3
LIBOR, 3-mo.	0.24	0.24	0.23	0.23	0.24	0.24	0.24	0.24	0.3	0.3	0.3	0.3	0.4	0.5
Commercial Paper, 1-mo.	0.06	0.06	0.06	0.05	0.05	0.06	0.05	0.06	0.1	0.1	0.1	0.2	0.2	0.3
Treasury bill, 3-mo.	0.05	0.04	0.07	0.04	0.04	0.07	0.07	0.06	0.1	0.1	0.1	0.1	0.2	0.3
Treasury bill, 6-mo.	0.08	0.09	0.08	0.07	0.07	0.10	0.10	0.09	0.1	0.1	0.2	0.2	0.3	0.4
Treasury bill, 1 yr.	0.12	0.12	0.12	0.11	0.12	0.13	0.12	0.12	0.1	0.2	0.3	0.3	0.5	0.6
Treasury note, 2 yr.	0.33	0.33	0.31	0.36	0.39	0.34	0.30	0.33	0.4	0.5	0.6	0.8	0.9	1.1
Treasury note, 5 yr.	1.54	1.53	1.48	1.55	1.65	1.58	1.37	1.44	1.6	1.7	1.9	2.0	2.2	2.3
Treasury note, 10 yr.	2.73	2.75	2.68	2.73	2.86	2.90	2.72	2.75	2.8	3.0	3.1	3.3	3.4	3.5
Treasury note, 30 yr.	3.70	3.69	3.63	3.65	3.77	3.89	3.80	3.79	3.8	3.9	4.1	4.2	4.3	4.4
Corporate Aaa bond	4.48	4.50	4.45	4.45	4.49	4.62	4.63	4.59	4.6	4.7	4.8	4.9	5.0	5.2
Corporate Baa bond	5.13	5.13	5.09	5.10	5.19	5.38	5.38	5.36	5.2	5.4	5.5	5.7	5.8	5.9
State & Local bonds	4.44	4.46	4.46	4.48	4.59	4.73	4.60	4.63	4.5	4.6	4.7	4.8	4.9	4.9
Home mortgage rate	4.33	4.28	4.23	4.32	4.43	4.46	4.26	4.30	4.4	4.6	4.7	4.8	5.0	5.1

Key Assumptions	History								Consensus Forecasts-Quarterly					
	1Q		2Q		3Q		4Q		1Q		2Q		3Q	
	2012	2012	2012	2012	2013	2013	2013	2013	2014	2014	2014	2014	2015	2015
Major Currency Index	72.9	73.9	74.0	73.2	74.7	76.4	76.7	76.0	77.1	77.5	77.9	78.2	78.2	78.1
Real GDP	3.7	1.2	2.8	0.1	1.1	2.5	4.1	2.4	1.9	2.8	2.9	3.0	3.0	3.0
GDP Price Index	2.0	1.8	2.3	1.1	1.3	0.6	2.0	1.6	1.6	1.7	1.9	1.9	2.0	1.9
Consumer Price Index	2.1	1.4	1.7	2.4	1.2	0.4	2.2	1.1	1.8	1.8	2.1	2.0	2.0	2.1

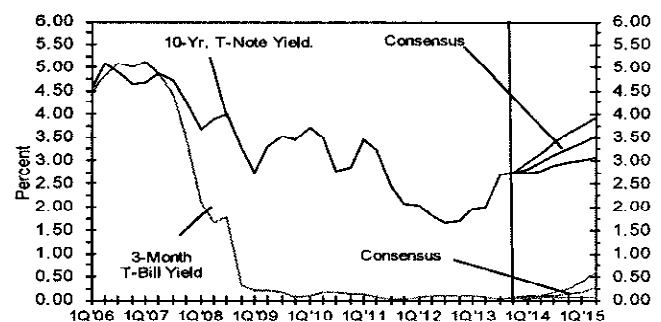
Forecasts for interest rates and the Federal Reserve's Major Currency Index represent averages for the quarter. Forecasts for Real GDP, GDP Price Index and Consumer Price Index are seasonally-adjusted annual rates of change (saar). Individual panel members' forecasts are on pages 4 through 9. Historical data for interest rates except LIBOR is from Federal Reserve Release (FRSR) H.15. LIBOR quotes available from *The Wall Street Journal*. Interest rate definitions are same as those in FRSR H.15. Treasury yields are reported on a constant maturity basis. Historical data for Fed's Major Currency Index is from FRSR H.10 and G.5. Historical data for Real GDP and GDP Chained Price Index are from the Bureau of Economic Analysis (BEA). Consumer Price Index (CPI) history is from the Department of Labor's Bureau of Labor Statistics (BLS).

U.S. Treasury Yield Curve
Week ended February 21, 2014 and Year Ago vs.
1Q 2014 and 2Q 2015 Consensus Forecasts

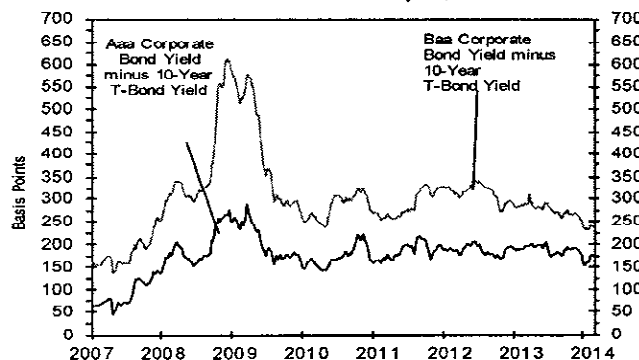


U.S. 3-Mo. T-Bills & 10-Yr. T-Note Yield

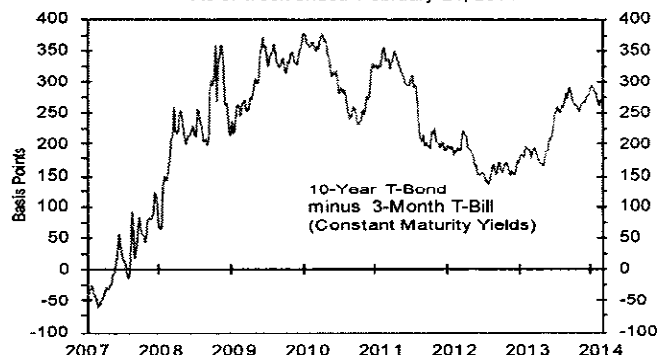
(Quarterly Average) History Forecast



Corporate Bond Spreads
As of week ended February 21, 2014



U.S. Treasury Yield Curve
As of week ended February 21, 2014



Long-Range Estimates:

The table below contains results of our semi-annual long-range CONSENSUS survey. There are also Top 10 and Bottom 10 averages for each variable. Shown are estimates for the years 2015 through 2019 and averages for the five-year periods 2015-2019 and 2020-2024. Apply these projections cautiously. Few economic, demographic and political forces can be evaluated accurately over such long time spans.

Interest Rates		Average For The Year					Five-Year Averages	
		2015	2016	2017	2018	2019	2015-2019	2020-2024
1. Federal Funds Rate	CONSENSUS	0.4	1.7	2.9	3.6	3.9	2.5	3.7
	Top 10 Average	0.8	2.6	3.9	4.2	4.5	3.2	4.4
	Bottom 10 Average	0.2	0.8	1.6	2.6	3.1	1.6	2.9
2. Prime Rate	CONSENSUS	3.5	4.8	6.0	6.6	6.9	5.6	6.7
	Top 10 Average	3.9	5.6	6.9	7.2	7.6	6.2	7.4
	Bottom 10 Average	3.3	4.1	5.0	5.7	6.1	4.8	5.8
3. LIBOR, 3-Mo.	CONSENSUS	0.9	2.2	3.3	4.0	4.2	2.9	4.0
	Top 10 Average	1.6	3.3	4.6	5.0	5.2	3.9	5.0
	Bottom 10 Average	0.4	1.1	2.0	2.8	3.3	1.9	3.0
4. Commercial Paper, 1-Mo.	CONSENSUS	0.6	2.0	3.1	3.7	3.9	2.6	3.7
	Top 10 Average	1.0	2.7	3.9	4.3	4.5	3.3	4.3
	Bottom 10 Average	0.3	1.3	2.3	2.9	3.1	2.0	3.0
5. Treasury Bill Yield, 3-Mo.	CONSENSUS	0.5	1.7	2.9	3.5	3.7	2.5	3.6
	Top 10 Average	1.0	2.7	3.9	4.3	4.5	3.3	4.3
	Bottom 10 Average	0.2	0.8	1.7	2.4	3.0	1.6	2.7
6. Treasury Bill Yield, 6-Mo.	CONSENSUS	0.7	2.0	3.1	3.7	3.9	2.7	3.8
	Top 10 Average	1.2	2.9	4.1	4.5	4.6	3.5	4.5
	Bottom 10 Average	0.3	1.1	1.9	2.7	3.1	1.8	2.8
7. Treasury Bill Yield, 1-Yr.	CONSENSUS	0.9	2.2	3.2	3.8	4.0	2.8	3.9
	Top 10 Average	1.5	3.2	4.3	4.7	4.8	3.7	4.6
	Bottom 10 Average	0.4	1.2	2.0	2.8	3.1	1.9	2.9
8. Treasury Note Yield, 2-Yr.	CONSENSUS	1.4	2.6	3.6	4.0	4.3	3.2	4.2
	Top 10 Average	2.0	3.5	4.5	4.9	5.0	4.0	4.9
	Bottom 10 Average	0.8	1.7	2.4	3.1	3.5	2.3	3.3
10. Treasury Note Yield, 5-Yr.	CONSENSUS	2.3	3.3	4.1	4.4	4.6	3.7	4.4
	Top 10 Average	2.9	4.0	4.8	5.1	5.3	4.4	5.1
	Bottom 10 Average	1.7	2.6	3.2	3.5	3.7	2.9	3.6
11. Treasury Note Yield, 10-Yr.	CONSENSUS	3.4	4.1	4.6	4.8	5.0	4.4	4.9
	Top 10 Average	3.9	4.8	5.3	5.6	5.8	5.1	5.6
	Bottom 10 Average	2.8	3.5	3.8	4.0	4.1	3.7	4.0
12. Treasury Bond Yield, 30-Yr.	CONSENSUS	4.3	4.7	5.2	5.5	5.6	5.0	5.5
	Top 10 Average	4.8	5.5	6.0	6.3	6.5	5.8	6.2
	Bottom 10 Average	3.7	4.0	4.4	4.6	4.7	4.3	4.6
13. Corporate Aaa Bond Yield	CONSENSUS	4.9	5.4	5.9	6.2	6.3	5.7	6.2
	Top 10 Average	5.6	6.2	6.7	7.0	7.2	6.5	7.0
	Bottom 10 Average	4.2	4.5	4.9	5.2	5.3	4.8	5.3
13. Corporate Baa Bond Yield	CONSENSUS	5.9	6.3	6.8	7.1	7.2	6.7	7.0
	Top 10 Average	6.5	7.1	7.5	7.9	8.1	7.4	7.9
	Bottom 10 Average	5.1	5.4	5.7	6.1	6.1	5.7	6.0
14. State & Local Bonds Yield	CONSENSUS	4.8	5.2	5.6	5.7	5.7	5.4	5.5
	Top 10 Average	5.2	5.9	6.3	6.5	6.6	6.1	6.3
	Bottom 10 Average	4.3	4.5	4.8	4.9	4.9	4.7	4.7
15. Home Mortgage Rate	CONSENSUS	5.1	5.6	6.1	6.4	6.5	5.9	6.4
	Top 10 Average	5.6	6.3	6.9	7.1	7.3	6.6	7.1
	Bottom 10 Average	4.4	5.0	5.3	5.5	5.6	5.2	5.6
A. FRB - Major Currency Index	CONSENSUS	77.8	78.4	78.8	79.1	79.2	78.7	79.7
	Top 10 Average	81.0	82.3	83.4	84.2	84.4	83.1	84.8
	Bottom 10 Average	74.6	74.3	74.0	73.7	74.0	74.1	74.7
		Year-Over-Year, % Change					Five-Year Averages	
		2015	2016	2017	2018	2019	2015-2019	2020-2024
B. Real GDP	CONSENSUS	3.0	2.9	2.7	2.6	2.5	2.7	2.4
	Top 10 Average	3.5	3.3	3.1	2.9	2.9	3.1	2.7
	Bottom 10 Average	2.5	2.5	2.3	2.1	2.2	2.3	2.1
C. GDP Chained Price Index	CONSENSUS	2.0	2.1	2.1	2.1	2.1	2.1	2.1
	Top 10 Average	2.5	2.5	2.6	2.5	2.5	2.5	2.5
	Bottom 10 Average	1.5	1.7	1.7	1.7	1.7	1.7	1.7
D. Consumer Price Index	CONSENSUS	2.2	2.3	2.3	2.3	2.3	2.3	2.3
	Top 10 Average	2.6	2.8	2.8	2.8	2.8	2.8	2.8
	Bottom 10 Average	1.7	1.9	1.9	1.9	2.0	1.9	1.9

Artesian Water Company
Derivation of Mean Equity Risk Premium Based on a Study
Using Holding Period Returns of Public Utilities

Line No.		Over A Rated Moody's Public Utility Bonds - AUS Consultants Study (1)
1.	Arithmetic Mean Holding Period Returns on the Standard & Poor's Utility Index 1926-2012 (2):	10.69 %
2.	Arithmetic Mean Yield on Moody's A Rated Public Utility Yields 1926-2012	<u>(6.53)</u>
3.	Historical Equity Risk Premium	4.16 %
4.	Forecasted Equity Risk Premium Based on PRPM™ (3)	<u>5.24</u>
5.	Weighted Average of Historical and PRPM™ Equity Risk Premium (4)	<u><u>4.97 %</u></u>

- Notes: (1) Based on S&P Public Utility Index monthly total returns and Moody's Public Utility Bond average monthly yields from 1928-2012, (AUS Consultants, 2013).
- (2) Holding period returns are calculated based upon income received (dividends and interest) plus the relative change in the market value of a security over a one-year holding period.
- (3) The Predictive Risk Premium Model (PRPM™) is applied to the risk premium of the monthly total returns of the S&P Utility Index and the monthly yields on Moody's A rated public utility bonds from 1928 - 2012.
- (4) Weighted average allocates 75% to PRPM™ study results and 25% to historical results.

Artesian Water Company
Indicated Common Equity Cost Rate Through Use
of the Traditional Capital Asset Pricing Model (CAPM) and Empirical Capital Asset Pricing Model (ECAPM)

	<u>1</u>	<u>2</u>	<u>3</u>	<u>4</u>	<u>5</u>	<u>6</u>
	Value Line Adjusted Beta	Market Risk Premium (1)	Risk-Free Rate (2)	Traditional CAPM Cost Rate (3)	ECAPM Cost Rate (4)	Indicated Common Equity Cost Rate (5)
<u>Proxy Group of Nine Water Companies</u>						
American States Water Co.	0.65	7.96 %	4.40 %	9.57 %	10.27 %	
American Water Works Co., Inc.	0.65	7.96	4.40	9.57	10.27	
Aqua America, Inc.	0.60	7.96	4.40	9.18	9.97	
Artesian Resources Corp.	0.55	7.96	4.40	8.78	9.67	
California Water Service Group	0.60	7.96	4.40	9.18	9.97	
Connecticut Water Service, Inc.	0.75	7.96	4.40	10.37	10.87	
Middlesex Water Company	0.75	7.96	4.40	10.37	10.87	
SJW Corporation	0.85	7.96	4.40	11.17	11.46	
York Water Company	0.70	7.96	4.40	9.97	10.57	
Average	<u>0.68</u>			<u>9.80 %</u>	<u>10.44 %</u>	<u>10.12 %</u>
Median	<u>0.65</u>			<u>9.57 %</u>	<u>10.27 %</u>	<u>9.92 %</u>

See page 2 for notes.

Artesian Water Company, Inc.
Development of the Market-Required Rate of Return on Common Equity Using
the Capital Asset Pricing Model for
the Proxy Group of Nine Water Companies
Adjusted to Reflect a Forecasted Risk-Free Rate and Market Return

Notes:

- (1) For reasons explained in Ms. Ahern's accompanying direct testimony, from the 13 weeks ending March 7, 2014, Value Line Summary & Index, a forecasted 3-5 year total annual market return of 8.95% can be derived by averaging the 13 weeks ending March 7, 2014 forecasted total 3-5 year total appreciation, converting it into an annual market appreciation and adding the Value Line average forecasted annual dividend yield.
- The 3-5 year average total market appreciation of 31% produces a four-year average annual return of 6.98% $((1.31^{0.25}) - 1)$. When the average annual forecasted dividend yield of 1.97% is added, a total average market return of 8.95% $(1.97\% + 6.98\%)$ is derived.
- The 13 weeks ending March 7, 2014 forecasted total market return of 8.95% minus the risk-free rate of 4.40% (developed in Note 2) is 4.55% $(8.95\% - 4.40\%)$.
- The Predictive Risk Premium Model (PRPM™) market equity risk premium of 10.36% is derived by applying the PRPM™ to the monthly equity risk premium of large company common stocks over the income return on long-term U.S. Government Securities from January 1926 through January 2014.
- The Morningstar, Inc. (Ibbotson Associates) calculated arithmetic mean monthly market equity risk premium of 6.55% for the period 1926-2012 results from a total market return of 11.83% less the arithmetic mean income return on long-term U.S. Government Securities of 5.28% $(11.83\% - 5.28\% = 6.55\%)$.
- These three expectational risk premiums are then weighted, 50% weighting to the PRPM™ risk premium, and 25% to the Value Line and Ibbotson risk premiums resulting in a 7.96% weighted average market equity risk premium, which is then multiplied by the beta in column 1 of page 1 of this Schedule. $(7.96\% = (4.55\% \times 25\%) + (10.36\% \times 50\%) + (6.55\% \times 25\%))$.
- (2) For reasons explained in Ms. Ahern's direct testimony, the risk-free rate that Ms. Ahern relies upon for her CAPM analysis is the average forecast of 30-year Treasury Note yields per the consensus of nearly 50 economists reported in the Blue Chip Financial Forecasts dated March 1, 2014 and December 1, 2013 (see pages 9 & 10 of Exhibit PMA-8). The estimates are detailed below:

	<u>30-Year Treasury Note Yield</u>
First Quarter 2014	3.80%
Second Quarter 2014	3.90%
Third Quarter 2014	4.10%
Fourth Quarter 2014	4.20%
First Quarter 2015	4.30%
Second Quarter 2015	4.40%
2015 - 2019	5.00%
2020 - 2024	5.50%
Average	<u>4.40%</u>

- (3) The traditional Capital Asset Pricing Model (CAPM) is applied using the following formula:

$$R_s = R_f + \beta (R_M - R_f)$$

Where R_s = Return rate of common stock
 R_f = Risk Free Rate
 β = Value Line Adjusted Beta
 R_M = Return on the market as a whole

- (4) The empirical CAPM is applied using the following formula:

$$R_s = R_f + .25 (R_M - R_f) + .75 \beta (R_M - R_f)$$

Where R_s = Return rate of common stock
 R_f = Risk-Free Rate
 β = Value Line Adjusted Beta
 R_M = Return on the market as a whole

Source of Information: Value Line Summary & Index
Blue Chip Financial Forecasts, March 1, 2014 and December 1, 2013
Value Line Investment Survey, (Standard Edition)
2013 Ibbotson® S&P® Valuation Yearbook, Morningstar, Inc., 2013, Chicago, IL

Artesian Water Company
Summary of Cost of Equity Models Applied to the
Proxy Group of Non-Price-Regulated Companies
Comparable in Total Risk to the
Proxy Group of Nine Water Companies

<u>Principal Methods</u>	<u>Proxy Group of Twenty-Eight Non- Price-Regulated Companies</u>
Discounted Cash Flow Model (DCF) (1)	11.88 %
Risk Premium Model (RPM) (2)	10.79
Capital Asset Pricing Model (CAPM) (3)	<u>10.27</u>
Average	<u><u>10.98 %</u></u>

Notes:

- (1) From page 5 of this Schedule.
- (2) From page 6 of this Schedule.
- (3) From page 9 of this Schedule.

Artesian Water Company
Basis of Selection of Comparable Risk
Domestic Non-Price Regulated Companies

Proxy Group of Nine Water Companies	Value Line Adjusted Beta	Unadjusted Beta	Residual Standard Error of the Regression	Standard Deviation of Beta
American States Water Co.	0.70	0.48	3.3620	0.0650
American Water Works Co., Inc.	0.65	0.44	3.0655	0.0610
Aqua America, Inc.	0.60	0.36	2.5902	0.0501
Artesian Resources Corp.	0.55	0.30	2.6477	0.0512
California Water Service Group	0.65	0.40	2.7115	0.0524
Connecticut Water Service, Inc.	0.75	0.58	3.1061	0.0601
Middlesex Water Company	0.70	0.54	2.6637	0.0515
SJW Corporation	0.85	0.70	3.6057	0.0697
York Water Company	0.70	0.48	3.1325	0.0606
Average	<u>0.68</u>	<u>0.48</u>	<u>2.9872</u>	<u>0.0580</u>
Beta Range (+/- 2 std. Devs. of Beta)	0.36	0.60		
2 std. Devs. of Beta	0.12			
Residual Std. Err. Range (+/- 2 std. Devs. of the Residual Std. Err.)	2.7246	3.2498		
Std. dev. of the Res. Std. Err.	0.1313			
2 std. devs. of the Res. Std. Err.	0.2626			

Artesian Water Company
Proxy Group of Non-Price Regulated Companies
Comparable in Total Risk to the
Proxy Group of Nine Water Companies

<u>Proxy Group of Twenty-Eight Non-Price-Regulated Companies</u>	<u>VL Adjusted Beta</u>	<u>Unadjusted Beta</u>	<u>Residual Standard Error of the Regression</u>	<u>Standard Deviation of Beta</u>
Gallagher (Arthur J.)	0.75	0.57	2.9742	0.0575
Baxter Intl Inc.	0.70	0.49	2.9372	0.0568
Bristol-Myers Squibb	0.70	0.50	2.8839	0.0558
Brown & Brown	0.75	0.55	3.1464	0.0608
ConAgra Foods	0.65	0.42	2.7898	0.0540
Capitol Fed. Finl	0.60	0.39	3.0449	0.0589
CenturyLink Inc.	0.75	0.57	3.0568	0.0591
Quest Diagnostics	0.75	0.59	2.7655	0.0535
Dun & Bradstreet	0.75	0.60	2.9024	0.0561
DaVita HealthCare	0.65	0.46	2.8841	0.0558
Haemonetics Corp.	0.65	0.41	2.7538	0.0533
Kroger Co.	0.60	0.36	2.8843	0.0558
Lancaster Colony	0.70	0.53	3.1660	0.0612
McKesson Corp.	0.75	0.58	3.2240	0.0623
Mercury General	0.70	0.48	3.0066	0.0581
Mead Johnson Nutrition	0.65	0.43	3.1630	0.0824
Annaly Capital Mgmt.	0.65	0.39	3.2022	0.0619
Northwest Bancshares	0.75	0.59	3.0864	0.0597
Owens & Minor	0.70	0.53	3.2368	0.0626
Peoples United Finl	0.65	0.46	2.8665	0.0554
Sherwin-Williams	0.70	0.48	2.9688	0.0574
Smucker (J.M.)	0.70	0.49	2.9429	0.0569
Silgan Holdings	0.75	0.56	2.8926	0.0559
Suburban Propane	0.70	0.54	3.0689	0.0593
Stericycle Inc.	0.70	0.49	2.9267	0.0566
Waste Connections	0.70	0.53	2.7663	0.0535
Weis Markets	0.65	0.42	2.9050	0.0562
Berkley (W.R.)	0.70	0.47	2.9475	0.0570
Average	<u>0.69</u>	<u>0.50</u>	<u>2.9783</u>	<u>0.0584</u>
Proxy Group of Nine Water Companies	<u>0.68</u>	<u>0.48</u>	<u>2.9872</u>	<u>0.0580</u>

Basis of Selection of the Group of Non-Price Regulated Companies
Comparable in Total Risk to the Proxy Group of Nine Water Companies

The criteria for selection of the proxy group of twenty-eight non-price regulated companies was that the non-price regulated companies be domestic and reported in Value Line Investment Survey (Standard Edition).

The proxy group of twenty-eight non-price regulated companies were then selected based upon the unadjusted beta range of 0.36 – 0.60 and standard error of the regression range of 2.7246 – 3.2498 of the water proxy group.

These ranges are based upon plus or minus two standard deviations of the unadjusted beta and standard error of the regression. Plus or minus two standard deviations captures 95.50% of the distribution of unadjusted betas and standard errors of the regression.

The standard deviation of the water industry's standard error of the regression is 0.1313. The standard deviation of the standard error of the regression is calculated as follows:

$$\text{Standard Deviation of the Std. Err. of the Regr.} = \frac{\text{Standard Error of the Regression}}{\sqrt{2N}}$$

where: N = number of observations. Since Value Line betas are derived from weekly price change observations over a period of five years, N = 259

$$\text{Thus, } 0.1313 = \frac{2.9872}{\sqrt{518}} = \frac{2.9872}{22.7596}$$

Source of Information: Value Line, Inc., December 15, 2013
Value Line Investment Survey (Standard Edition)

Artesian Water Company
DCF Results for the Proxy Group of Non-Price-Regulated Companies Comparable in Total Risk to
the Proxy Group of Nine Water Companies

Proxy Group of Twenty-Eight Non-Price-Regulated Companies	Average Dividend Yield	Value Line Projected Five Year Growth in EPS	Reuters Mean Consensus Projected Five Year Growth Rate in EPS	Zack's Five Year Projected Growth Rate in EPS	Yahoo! Finance Projected Five Year Growth in EPS	Average Projected Five Year Growth Rate in EPS	Adjusted Dividend Yield	Indicated Common Equity Cost Rate
Gallagher (Arthur J.)	3.13 %	12.50 %	12.00 %	10.70 %	13.14 %	12.09 %	3.31 %	15.40 %
Baxter Intl Inc.	2.86	8.00	7.40	8.80	7.44	7.94	2.97	10.91
Bristol-Myers Squibb	2.74	10.00	13.00	10.80	13.90	11.83	2.91	14.74
Brown & Brown	1.31	14.00	14.00	10.70	15.53	13.56	1.40	14.96
ConAgra Foods	3.16	11.00	8.40	7.20	8.43	8.76	3.30	12.06
Capitol Fed. Finl	2.51	6.00	5.00	3.50	5.00	4.88	2.57	7.45
CenturyTel, Inc.	7.08	6.00	0.30	0.30	(1.00)	2.87	7.18	10.05
Quest Diagnostics	2.46	7.00	9.80	10.60	9.84	9.31	2.57	11.88
Dun & Bradstreet	1.69	7.00	6.50	7.60	6.57	6.92	1.64	8.56
DaVita Inc.	-	14.00	12.00	10.80	11.86	12.22	-	NA
Haemonetics Corp.	-	11.00	13.00	12.30	13.00	12.33	-	NA
Kroger Co.	1.72	10.50	7.90	7.20	7.90	8.38	1.79	10.17
Lancaster Colony	2.03	6.00	NA	NA	7.00	6.50	2.10	8.60
McKesson Corp.	0.57	14.00	19.00	14.00	19.93	16.73	0.62	17.35
Mercury General	5.24	8.00	3.20	3.20	3.20	4.40	5.35	9.75
Mead Johnson Nutrition	1.67	12.00	10.00	11.40	10.60	11.00	1.76	12.76
Annaly Capital Mgmt.	11.61	(2.50)	NA	3.50	3.50	3.50	11.81	15.31
Northwest Bancshares, Inc.	3.62	8.50	5.00	5.00	5.00	5.88	3.73	9.61
Owens & Minor	2.80	10.00	9.00	9.00	9.00	9.25	2.93	12.18
Peoples United Fin	4.49	19.00	12.00	6.60	12.07	12.39	4.77	17.16
Sherwin-Williams	1.18	16.50	13.00	13.30	13.57	14.09	1.26	15.35
Smucker (J.M.)	2.35	8.50	7.70	7.30	7.75	7.81	2.45	10.26
Silgan Holdings	1.19	10.50	10.00	10.90	10.21	10.40	1.25	11.65
Suburban Propane	7.86	12.00	13.00	3.00	13.00	10.25	8.26	18.51
Stericycle Inc.	-	12.00	16.00	16.00	16.00	15.00	-	NA
Waste Connections	1.08	12.00	12.00	14.10	12.05	12.54	1.15	13.69
Weis Markets	2.40	3.50	NA	NA	NA	3.50	2.45	3.95
Berkley (W.R.)	0.97	12.50	7.90	9.50	6.91	9.20	1.01	10.21
Average								12.18 %
Median								11.88 %

NA= Not Available
NMF= Not Meaningful Figure

- (1) Ms. Ahern's application of the DCF model to the domestic, non-price regulated comparable risk companies is identical to the application of the DCF to her proxy group of water companies. She uses the 60 day average price and the spot indicated dividend as of March 3, 2014 for her dividend yield and then adjusts that yield for 1/2 the average projected growth rate in EPS, which is calculated by averaging the 5 year projected growth in EPS provided by Value Line, www.reuters.com, www.zacks.com, and www.yahoo.com (excluding any negative growth rates) and then adding that growth rate to the adjusted dividend yield.

Source of Information: Value Line Investment Survey;
www.reuters.com Downloaded on 03/04/2014
www.zacks.com Downloaded on 03/04/2014
www.yahoo.com Downloaded on 03/04/2014

Artesian Water Company
Indicated Common Equity Cost Rate
Through Use of a Risk Premium Model
Using an Adjusted Total Market Approach

<u>Line No.</u>		<u>Proxy Group of Twenty-Eight Non- Price-Regulated Companies</u>
1.	Prospective Yield on Baa Rated Corporate Bonds (1)	5.90 %
2.	Equity Risk Premium (2)	<u>4.89</u>
3.	Risk Premium Derived Common Equity Cost Rate	<u><u>10.79 %</u></u>

Notes: (1) Average forecast based upon estimates of Baa rated corporate bonds per the consensus of nearly 50 economists reported in Blue Chip Financial Forecasts dated March 1, 2014 December 1, 2013 and (see pages 9 and 10 of Schedule PMA-8). The estimates are detailed below.")

First Quarter 2014	5.20 %
Second Quarter 2014	5.40
Third Quarter 2014	5.50
Fourth Quarter 2014	5.70
First Quarter 2015	5.80
Second Quarter 2015	5.90
2015-2019	6.70
2020-2024	<u>7.00</u>
Average	<u><u>5.90 %</u></u>

(2) From page 8 of this Schedule.

Artesian Water Company
Comparison of Bond Ratings for the
Proxy Group of Non-Price-Regulated Companies Comparable in Total Risk to the
Proxy Group of Nine Water Companies

Proxy Group of Twenty-Eight Non-Price-Regulated Companies	Moody's Bond Rating March 2014		Standard & Poor's Bond Rating March 2014	
	Bond Rating	Numerical Weighting (1)	Bond Rating	Numerical Weighting (1)
Gallagher (Arthur J.)	NR	--	NR	--
Baxter Intl Inc.	A3	7.0	A	6.0
Bristol-Myers Squibb	A2	6.0	A+	5.0
Brown & Brown	NR	--	NR	--
ConAgra Foods	Baa2	9.0	BBB-	10.0
Capitol Fed. Finl	NR	--	NR	--
CenturyLink Inc.	Ba1	11.0	BB	12.0
Quest Diagnostics	Baa2	9.0	BBB+	8.0
Dun & Bradstreet	NR	--	NR	--
DaVita HealthCare	B2	15.0	B	15.0
Haemonetics Corp.	NR	--	NR	--
Kroger Co.	Baa2	9.0	BBB	9.0
Lancaster Colony	NR	--	NR	--
McKesson Corp.	Baa2	9.0	A-	7.0
Mercury General	NR	--	NR	--
Mead Johnson Nutrition	Baa1	8.0	BBB-	10.0
Annaly Capital Mgmt.	NR	--	NR	--
Northwest Bancshares	NR	--	NR	--
Owens & Minor	Ba1	11.0	BBB	9.0
Peoples United Finl	A3	7.0	NR	--
Sherwin-Williams	A3	7.0	A	6.0
Smucker (J.M.)	A3	7.0	NR	--
Silgan Holdings	Ba2	12.0	BB-	13.0
Suburban Propane	Ba3	13.0	BB-	13.0
Stericycle Inc.	NR	--	NR	--
Waste Connections	NR	--	NR	--
Weis Markets	NR	--	NR	--
Berkley (W.R.)	Baa2	9.0	BBB+	8.0
Average	<u>Baa2</u>	<u>9.3</u>	<u>BBB</u>	<u>9.4</u>

Notes:

(1) From page 5 of Schedule PMA-8.

Source of Information:

Standard & Poor's Bond Guide February 2014
www.moody's.com; downloaded 3/4/2014

Artesian Water Company
Derivation of Equity Risk Premium Based on the Total Market Approach
Using the Beta for
the Proxy Group of Non-Price-Regulated Companies
Proxy Group of Nine Water Companies

<u>Line No.</u>		<u>Proxy Group of Twenty-Eight Non- Price-Regulated Companies</u>
<u>Based on S&P Valuation Yearbook Data:</u>		
1.	Ibbotson Equity Risk Premium (1)	5.60 %
2.	Ibbotson Equity Risk Premium based on PRPM™ (2)	9.26
<u>Based on Value Line Summary and Index:</u>		
3.	Equity Risk Premium Based on <u>Value Line Summary and Index</u> (3)	<u>3.81</u>
4.	Conclusion of Equity Risk Premium (4)	6.98 %
5.	Adjusted Value Line Beta (5)	<u>0.70</u>
6.	Forecasted Equity Risk Premium	<u><u>4.89 %</u></u>

- Notes: (1) Based on the arithmetic mean historical monthly returns on large company common stocks from Ibbotson® S&P® 2013 Valuation Yearbook - Market Results for Stocks, Bonds, Bills, and Inflation minus the arithmetic mean monthly yield of Moody's Aaa and Aa corporate bonds from 1926 - 2012. (11.83% - 6.23% = 5.60%).
- (2) The Predictive Risk Premium Model (PRPM™) is discussed in Ms. Ahern's accompanying direct testimony. The Ibbotson equity risk premium based on the PRPM™ is derived by applying the PRPM™ to the monthly risk premiums between Ibbotson large company common stock monthly returns minus the average Aaa and Aa corporate monthly bond yields, from January 1928 through January 2014.
- (3) From page 8 of Schedule PMA-8.
- (4) Weighted average giving 50% to the PRPM™ results and 25% to each of the other results as explained in Ms. Ahern's direct testimony.
- (5) Median beta derived from page 9 of this Schedule.

Sources of Information:

Ibbotson® S&P® 2013 Valuation Yearbook - Market Results for Stocks, Bonds,
Bills, and Inflation, Morningstar, Inc., 2013 Chicago, IL.
Value Line Summary and Index
Blue Chip Financial Forecasts, March 1, 2014 and December 1, 2013

Artesian Water Company

Traditional CAPM and ECAPM Results for the Proxy Group of Non-Price-Regulated Companies Comparable in Total Risk to the
Proxy Group of Nine Water Companies

Proxy Group of Twenty-Eight Non-Price-Regulated Companies	Value Line Adjusted Beta	Market Risk Premium (1)	Risk-Free Rate (2)	Traditional CAPM Cost Rate (3)	ECAPM Cost Rate (4)	Indicated Common Equity Cost Rate (5)
Gallagher (Arthur J.)	0.75	7.96 %	4.40 %	10.37 %	10.87 %	
Baxter Intl Inc.	0.80	7.96	4.40	10.77	11.17	
Bristol-Myers Squibb	0.70	7.96	4.40	9.97	10.57	
Brown & Brown	0.75	7.96	4.40	10.37	10.87	
ConAgra Foods	0.65	7.96	4.40	9.57	10.27	
Capitol Fed. Finl	0.55	7.96	4.40	8.78	9.67	
CenturyLink Inc.	0.75	7.96	4.40	10.37	10.87	
Quest Diagnostics	0.75	7.96	4.40	10.37	10.87	
Dun & Bradstreet	0.80	7.96	4.40	10.77	11.17	
DaVita HealthCare	0.70	7.96	4.40	9.97	10.57	
Haemonetics Corp.	0.70	7.96	4.40	9.97	10.57	
Kroger Co.	0.65	7.96	4.40	9.57	10.27	
Lancaster Colony	0.75	7.96	4.40	10.37	10.87	
McKesson Corp.	0.70	7.96	4.40	9.97	10.57	
Mercury General	0.75	7.96	4.40	10.37	10.87	
Mead Johnson Nutrition	0.65	7.96	4.40	9.57	10.27	
Annaly Capital Mgmt.	0.65	7.96	4.40	9.57	10.27	
Northwest Bancshares	0.75	7.96	4.40	10.37	10.87	
Owens & Minor	0.85	7.96	4.40	11.17	11.46	
Peoples United Finl	0.70	7.96	4.40	9.97	10.57	
Sherwin-Williams	0.70	7.96	4.40	9.97	10.57	
Smucker (J.M.)	0.70	7.96	4.40	9.97	10.57	
Silgan Holdings	0.70	7.96	4.40	9.97	10.57	
Suburban Propane	0.70	7.96	4.40	9.97	10.57	
Stencycle Inc.	0.70	7.96	4.40	9.97	10.57	
Waste Connections	0.70	7.96	4.40	9.97	10.57	
Weis Markets	0.65	7.96	4.40	9.57	10.27	
Berkley (W.R.)	0.65	7.96	4.40	9.57	10.27	
Average	0.71			10.04 %	10.62 %	10.33 %
Median	0.70			9.97 %	10.57 %	10.27 %

Notes:

- (1) From Schedule PMA-9, page 2, note 1.
- (2) From Schedule PMA-9, page 2, note 2.
- (3) Derived from the model shown on Schedule PMA-9, page 2, note 3.
- (4) Derived from the model shown on Schedule PMA-9, page 2, note 4.
- (5) Average of CAPM and ECAPM cost rates.

Atreca Water Company
Derivation of the Flotation Cost Adjustment to the Cost of Common Equity

Equity Issuances and Flotation Costs of the Parent Since 2004

Date	Transaction (1)	[Column 1] Shares Issued	[Column 2] Market Price per Share	[Column 3] Offering Price per Share	[Column 4] Market Price (2)	[Column 5] Underwriting Discount	[Column 6] Net Proceeds per Share (3)	[Column 7] Gross Equity Issue before Costs (4)	[Column 8] Total Net Proceeds (5)	[Column 9] Total Flotation Costs (6)	[Column 10] Flotation Cost Percentage (7)
07/15/11	Share Offering	888,280 (8)	\$ 19.2900	\$ 18.6500	\$ 0.6400	\$ 0.8000	\$ 17,8500	\$ 17,135,114	\$ 15,855,877	\$ 1,279,138	7.47%
06/14/07	Share Offering	1,000,000	\$ 19.3000	\$ 19.1500	\$ 0.1500	\$ 0.8138	\$ 18,3361	\$ 19,300,000	\$ 18,336,125	\$ 963,875	4.99%
								\$ 36,435,114	\$ 34,192,102	\$ 2,243,013	6.16%

Flotation Cost Adjustment

	Average Dividend Yield	Average Projected EPS Growth Rate	Adjusted Dividend Yield	Average DCF Cost Rate Unadjusted for Flotation (9)	DCF Cost Rate Adjusted for Flotation (10)	Flotation Cost Adjustment (11)
Proxy Group of Nine Water Companies	2.39 %	5.91 %	3.08 %	3.59 %	5.19 %	0.20 %

Notes are on page 2 of this Schedule.

Artesian Water Company, Inc.
Notes to Accompany the
Derivation of the Flotation Cost Adjustment to the Cost of Common Equity

- (1) Company-provided.
- (2) Column 2 – Column 3.
- (3) Column 2 – the sum of columns 4 and 5.
- (4) Column 1 * Column 2.
- (5) Column 1 * Column 6.
- (6) Column 1 * (the sum of columns 4 and 5).
- (7) (Column 7 – Column 8) divided by Column 7.
- (8) Includes an over-allotment option of 84,000 shares.
- (9) Using the average growth rate from Schedule 6.
- (10) Adjustment for flotation costs based on adjusting the average DCF constant growth cost rate in accordance with the following:

$$K = \frac{D(1 + 0.5g)}{P(1 - F)} + g,$$

where g is the growth factor and F is the percentage of flotation costs.

- (11) Flotation cost adjustment of 0.17% equals the difference between the flotation adjusted average DCF cost rate of 9.04% and the unadjusted average DCF cost rate of 8.87% of the proxy group of nine water companies.

Source of Information:

Company provided information

Artesian Water Company
Derivation of Investment Risk Adjustment Based upon
Ibbotson Associates' Size Premia for the Decile Portfolios of the NYSE/AMEX/NASDAQ

Line No.	1	2	3	4
	Market Capitalization on March 3, 2014 (1) (millions)	Applicable Decile of the NYSE/AMEX/ NASDAQ (2)	Applicable Size Premium (3)	Spread from Applicable Size Premium for (4)
1. Artesian Water Company				
a. Based Upon the Proxy Group of Nine Water Companies	\$ 220,188	9 - 10	4.45%	
2. Proxy Group of Nine Water Companies	\$ 1,769,332	5 - 6	1.75%	2.70%

(A)	(B)	(C)	(D)	(E)
Decile	Number of Companies (millions)	Recent Total Market Capitalization (millions)	Recent Average Market Capitalization (millions)	Size Premium (Return in Excess of CAPM) (2)
Largest	1 163	\$ 8,865,444,654	\$ 54,389,231	-0.38%
	2 181	2,044,297,841	\$ 11,294,463	0.78%
	3 196	1,063,677,148	\$ 5,425,924	0.94%
	4 201	664,148,153	\$ 3,304,220	1.17%
	5 200	448,181,802	\$ 2,245,909	1.74%
	6 238	369,281,218	\$ 1,551,602	1.75%
	7 301	297,500,544	\$ 988,374	1.77%
	8 333	208,267,900	\$ 625,429	2.51%
	9 450	156,980,841	\$ 348,846	2.80%
Smallest	10 1212	111,034,220	\$ 91,612	6.10%

*From Ibbotson 2012 Yearbook

Notes:

- (1) From Page 2 of this Schedule.
- (2) Gleaned from Column (D) on the bottom of this page. The appropriate decile (Column (A)) corresponds to the market capitalization of the proxy group, which is found in Column 1.
- (3) Corresponding risk premium to the decile is provided on Column (E) on the bottom of this page.
- (4) Line No. 1a Column 3 - Line No. 2 Column 3 and Line No. 1b, Column 3 - Line No. 3 of Column 3 etc.. For example, the 2.7% in Column 4, Line No. 2 is derived as follows 2.7% = 4.45% - 1.75%.

Artesian Water Company
Market Capitalization of Artesian Water Company and
the Proxy Group of Nine Water Companies

	1	2	3	4	5	6
Company	Common Stock Shares Outstanding at Fiscal Year End 2012 (millions)	Book Value per Share at Fiscal Year End 2012 (1)	Total Common Equity at Fiscal Year End 2012 (millions)	Closing Stock Market Price on March 03, 2014	Market-to-Book Ratio on March 03, 2014 (2)	Market Capitalization on March 03, 2014 (3) (millions)
Artesian Water Company	NA	NA	\$ 103,375 (4)	NA		
Based Upon the Proxy Group of Nine Water Companies					213.0 % (5)	\$ 220,188 (6)
Proxy Group of Nine Water Companies						
American States Water Co.	38,474	\$ 11.815	\$ 454,579	\$ 30.020	254.1 %	\$ 1,155,002
American Water Works Co., Inc.	176,988	\$ 25.115	\$ 4,444,988	\$ 44.150	175.8	\$ 7,814,020
Aqua America, Inc.	175,208	\$ 7.909	\$ 1,385,704	\$ 24.740	312.8	\$ 4,334,673
Artesian Resources Corp.	7,838	\$ 15.078	\$ 118,180	\$ 21.820	144.7	\$ 171,027
California Water Service Group	41,908	\$ 11.304	\$ 473,712	\$ 23.080	204.2	\$ 967,242
Connecticut Water Service, Inc.	10,939	\$ 17.014	\$ 186,121	\$ 32.950	193.7	\$ 360,456
Middlesex Water Company	15,795	\$ 11.499	\$ 181,632	\$ 19.980	173.8	\$ 315,584
SJW Corporation	18,671	\$ 14.708	\$ 274,604	\$ 29.330	199.4	\$ 547,608
York Water Company	12,919	\$ 7.727	\$ 99,825	\$ 20.000	258.8	\$ 258,373
Average	55,416	\$ 13.574	\$ 846,594	\$ 27.341	213.0 %	\$ 1,789,332

NA= Not Available

Notes: (1) Column 3 / Column 1.

(2) Column 4 / Column 2.

(3) Column 5 * Column 3.

(4) From Financial Statements of Artesian Water Company for Fiscal Year End 2012.

(5) The market-to-book ratio of Artesian Water Company on March 03, 2014 is assumed to be equal to the market-to-book ratio of the Proxy Group of Nine Water Companies at March 03, 2014.

(6) Artesian Water Company's common stock, if traded, would trade at a market-to-book ratio equal to the average market-to-book ratio at March 03, 2014 of the Proxy Group of Nine Water Companies, 213%, and Artesian Water Company's market capitalization on March 03, 2014 would therefore have been \$220,188 million.

Source of Information: 2012 Annual Forms 10K
yahoo.finance.com